

A photograph of a woman with long dark hair, wearing a white long-sleeved shirt and a grey striped apron, smiling warmly at the camera. She is holding a payment terminal in her right hand, which is being used to process a transaction. In the background, another person is visible, and there are rolls of fabric or paper on shelves. The scene is set in a retail environment.

Retail Payment System Research

Research report | November 2022

KANTAR PUBLIC

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Background






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Under the recently enacted Retail Payment System Act 2022, the Commerce Commission has the role and powers to promote competition and efficiency in the retail payment system for the long-term benefit of merchants.

To do this, the Commerce Commission must first understand merchants'...

-  Current payment system
-  Decision making process
-  Understanding of systems/fees
-  Experience
-  Attitudes

The survey also focused on key topics such as...

-  Surcharging
-  Contactless payment
-  Newly adopted/dropped payment methods
-  The impact of COVID
-  Providers (acquirers/banks)

The outcomes of this research will be used to help inform decisions and strategies that will support and promote long term benefits for merchants within the retail payment system in Aotearoa.

Background

Approach

A nationwide online survey was conducted with 1,114 decision makers who are responsible for deciding which payment methods their business / organisation accepts from consumers.



1,000 surveys were conducted using the Kantar online business panel.
114 surveys were conducted via survey invites distributed via a range of industry associations including Motor Trade Association (45 surveys), Restaurant Association (27), Retail NZ (15), Hospitality Association (11), Tourism Industry Aotearoa (8), Health (6) and others (2).



The survey was conducted from 16th September to 14th October 2022.
Survey duration averaged 10 minutes.



Data weighting was applied in two stages. The entire sample including B2B only businesses were weighted to be nationally representative for industry, number of employees and region according to Statistics NZ data. The profile of B2C only businesses was obtained from the weighted results of all businesses and applied to the surveyed respondents. (Note that sole employee real estate (i.e. landlords) account for 21% of all businesses and were excluded from the weighting profile).

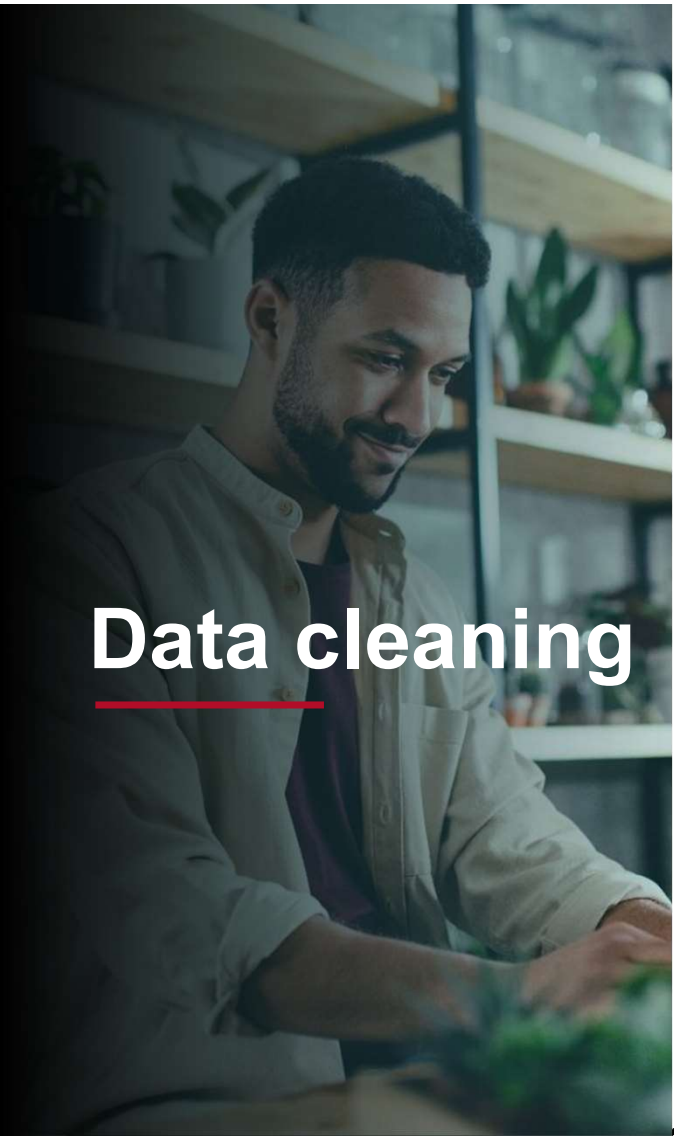


Statistical testing has been conducted at the 95% Confidence Level to compare results between subgroups and has been included within the report.



The maximum margin of error on the total sample is +/- 2.9% at the 95% confidence level.

Prior to the online survey, qualitative interviews were conducted with 10 decision makers to understand how businesses think and talk about payment systems. This informed the language and structure of the questionnaire and findings have been included in this report where applicable.



Data cleaning

Respondents were provided with definitions for a range of payment methods such as EFTPOS, contactless, BNPL and bank transfers. However, due to potential respondent confusion around EFTPOS, debit, credit and contactless payment methods, the following rules were applied to clean the data for the payment methods offered by their business.

Criteria	Data cleaning rule
Online excluding in person and accept credit cards	Include debit cards
Online excluding in person and accept debit cards	Include credit cards
Online excluding in person	Exclude EFTPOS
Online excluding in person	Exclude contactless
In person and use contactless	Include Mastercard / Visa debit and credit cards
In person and accept debit cards	Include EFTPOS
In person and accept credit cards	Include debit cards
Do not accept credit cards	Exclude debit cards

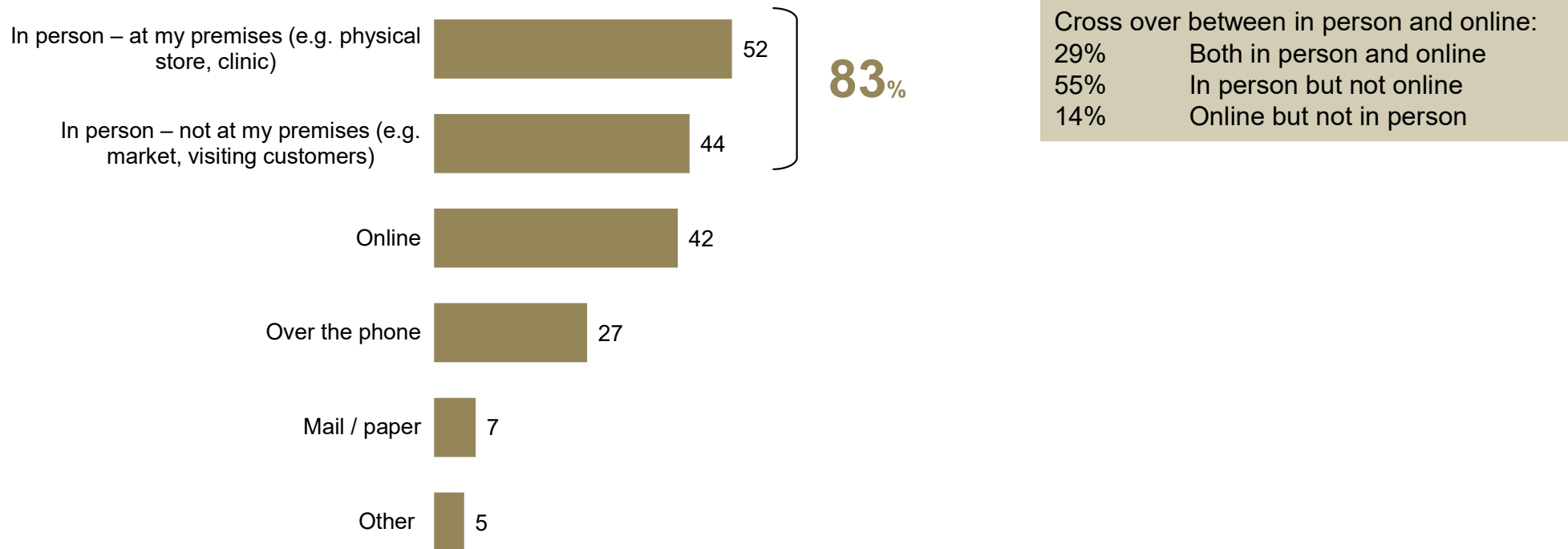
Note:
In person = Sell product or provide services in person, either at or not at own premise
Online = Sell product or provide services online

Weighted profile of surveyed businesses

	%		%		%
Number of full time employees		Length of time in business		Industry	
One (Just me / I'm a sole operator)	58	Less than 2 years	6	Accommodation and food services	8
2 to 5	26	Between 2 and 5 years	13	Administrative or support services	5
6 to 9	7	Between 5 and 10 years	17	Agriculture, forestry, fishing	6
10 to 19	6	10 years or more	64	Arts or recreation services	3
20 or more	4	Main location		Construction	17
Annual turnover		Northland	4	Education or training	3
Less than \$100,000	41	Auckland City	21	Electricity, gas, water or waste	< 0.5
\$100,000 - \$249,999	15	Other Auckland Region	12	Finance or insurance	2
\$250,000 to \$499,999	9	Waikato	10	Health care or social assistance	6
\$500,000 to \$999,999	9	Bay of Plenty	7	Information media or telecommunications	1
\$1,000,000 - \$2,499,999	7	Gisborne / Hawke's Bay	4	Manufacturing	6
\$2,500,000 plus	9	Taranaki	3	Professional, scientific & technical services	18
Prefer not to say	11	Manawatu-Wanganui	5	Public administration or safety	< 0.5
Transactions per hour		Wellington City	5	Rental, hiring or real estate	2
Less than one an hour	66	Other Wellington Region	4	Retail trade	10
1 to 5	16	Tasman / Nelson / Marlborough / West Coast	5	Transport, postal or warehousing	3
6 to 10	4	Christchurch	8	Wholesale trade	2
11 plus	6	Other Canterbury	6	Other personal services / automotive	8
Don't know	8	Otago	5	Māori-owned business or employer	
		Southland	2	Māori-owned business (fully or partially)	4
				Significant employer of Māori	2

The majority of surveyed business sell their products or provide their services in person, being a mix of at their own premises or other premises. Two in five provide their products or services online, and one in four over the phone.

Where business / organisation sells its products or provides it services (% , among all merchants)



Key insights



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Current payment arrangements

Payment methods offered: Payment methods offered to customers differ by type of business. Sole traders (58% of businesses overall), business with fewer than one transaction per hour, and with lower annual turnover (< \$100,000) mainly offer bank transfers or cash, and are less likely to offer options such as EFTPOS, debit or credit. Payment methods such as credit cards, contactless and BNPL are all increasingly offered with building number of transactions, employees and annual turnover. They are also more commonly offered by those in retail trade or accommodation and food services.

Overall satisfaction: The majority of merchants are at least somewhat satisfied with their payment arrangements overall. Reasons for being satisfied include being simple, seamless, easy to use for both the business and customer, being risk free, no or low fees, quick transfer of funds into their bank account and easy to track.

Only 5% are dissatisfied with their payment arrangements overall, mainly due to the fees charged for payment options such as credit card and contactless. Other mentions include delays in payments reaching their bank and poor service.

Satisfaction with payment options: Among those who offer each payment method, satisfaction is highest for cash, EFTPOS and Mastercard / Visa debit cards. The majority are satisfied with these payment methods and around two in five are 'very' satisfied. One in ten who offer cash payments are dissatisfied with reasons including the time and inconvenience involved with visiting a bank to deposit the cash, security concerns and more room for error. Six percent are dissatisfied with Mastercard and Visa debit cards due to the fees that can be incurred.

Three in four are satisfied with credit cards and contactless as a payment option but fewer are 'very' satisfied at just under three in ten. Thirteen percent are dissatisfied with each of these payment options, mainly due to the fees which are often perceived as being high.

Satisfaction is more moderate towards BNPL among merchants who offer it. Although two in five are satisfied, only one in five are 'very' satisfied and eighteen percent are dissatisfied with this payment method. The most common reason for being dissatisfied is the cost for providing this option.

Importance of payment features: When asked the importance of different features of payment methods, the majority (9 in 10) place importance on payment methods which offer high security, are easy to use and quickly transfer funds to their bank account. The cost of accepting the payment and how widely it is accepted are also of importance to at least three in four merchants. Lowest importance is placed on whether the method may attract additional customers to their business / organisation, although being important to just over half.



Decision making process

Cash: Customer expectations and preference to pay using cash are the most common reasons for merchants to accept cash payments. Other common reasons include the low cost to accept cash payments, ease of use and reliability. Among merchants who do not accept cash payments, the most common reason is the inconvenience of handling cash. Other common reasons are not enough customers using cash, similar businesses not accepting cash and security or theft concerns.

Contactless payments: Customer expectations and ease of use are the most common reasons for merchants to accept contactless payments. Speeding up purchasing time, reliability and being easy to set up are also reasons for many. Almost two in five merchants who accept contactless payments also do so for hygiene and Covid-19 related reasons. The main reason for not offering contactless payments is being too costly to accept. Other common reasons are not having enough customers who want to use contactless, being difficult or inconvenient to set up and not wanting to accept credit cards.

BNPL: Customer expectations and being able to attract more customers are the most common reasons for accepting BNPL. Other reasons include increased transactions or purchasing amounts, ease of use, being offered by similar businesses and to keep up with social or market trends. Not being wanted by enough customers, being costly to accept, being difficult or inconvenient to set up and not being offered by similar businesses are common reasons for not accepting BNPL. Around one in four merchants who do not accept BNPL do so for ethical reasons, such as concern about customer debt.

Payment methods have stopped accepting: One in ten merchants (11%) claim to have stopped accepting at least one form of payment since the initial COVID-19 restrictions in March 2020. This is spread across a range of payment methods with 2% to 4% claiming to no longer accept options such as cash, EFTPOS, debit cards, credit cards, contactless and BNPL. Businesses with larger number of employees (6 plus), at least one transaction per hour and newer established business (less than 5 years) have more commonly stopped accepting payment methods.

Among the 4% who no longer accept cash, hygiene reasons and being difficult to bank are common reasons for not doing so.

The cost and wanting to reduce fees are common reasons for having stopped accepting Mastercard and Visa credit cards (2% of merchants) and contactless payments (3% of merchants).

The expense, difficulty with using and lack of customer need are reasons mentioned among the 2% of merchants who have stopped accepting BNPL.



Payment service providers

Merchants used: Merchants are using a wide range of banks for their business. Most common is ANZ followed by BNZ, ASB and Westpac. Merchants who accept debit cards, credit cards or contactless are similar in their use of banks.

Acquirers used: The majority of merchants who accept debit cards, credit cards, and contactless have one Acquirer which is most commonly a bank. Typically these merchants have the same bank for both their business banking and as their Acquirer. However, 13% claim to use different banks for each purpose. A minority of merchants use Windcave (5%) or Stripe (4%). Those using Windcave as their Acquirer more commonly have 6 or more employees, high transactions and high annual turnover. In contrast, those using Stripe as their Acquirer more commonly are sole traders, have low transactions and low annual turnover.

Satisfaction with Acquirer: Three in five merchants are at least fairly satisfied with their Acquirer although only one in five are 'very' satisfied'. Reasons for being satisfied include good customer service, ease of use, timely payments, fair pricing and being reliable and trustworthy.

Only one in ten merchants are dissatisfied with their Acquirer. This increases to one in five among those providing accommodation and food services. The most commonly mentioned reasons for being dissatisfied are the cost of the fees and poor customer service. A few mention difficulties understanding the rates, citing a lack of transparency and confusion due to different rates for different cards.

Changed Acquirer: In the past 2 years, 5% of merchants have changed their Acquirer and a further 20% have considered but not changed. Commonly mentioned reasons for changing Acquirer include cheaper fees, ease of use, better integration with other payment systems, benefits of one streamlined provider, and poor customer service with their previous Acquirer. The hassle and cost of switching to a new Acquirer is the most common deterrent among merchants who have considered but decided not to change their Acquirer. Other reasons include being hard to compare offers, there being no difference between Acquirers, the disruption it would cause and having to also move banking arrangements if choosing another Acquirer.

Ease of comparing: Overall, views are mixed towards how easy it is to compare what is offered by different Acquirers. Those who considered but did not change their Acquirer are more likely to find it difficult (38%) than easy (27%), although many are neutral or unsure. Those who changed Acquirer are less likely to consider it difficult (25%), but even then only two in five consider it easy to compare different Acquirers.

Perceived difference: Only one in ten merchants think their Acquirer is different to others in terms of the customer service provided and the fees / costs. Just over half think their Acquirer is similar to others for service and fees, while around 35% are uncertain.



Merchant fees

Attitudes towards fees and statements: Attitudes are mixed towards whether the fees charged by their Acquirer are good value for money but disagreement (at 38%) outweighs agreement (at 29%).

Half review their fees thoroughly and the breakdown in costs. Around three in five agree it is easy to understand what they are charged for (e.g. what each fee is for or why fees vary). Few however are in strong agreement and 15% disagree.

Around three in five agree that it is easy to understand the information on their merchant statement, and that their statement gives them all the information they need. Relatively few however are in strong agreement, and one in ten disagree.

Merchant fee rates: Most merchants are aware of the types of merchant fee rates they pay for accepting Mastercard and Visa card payments although just under one in five are unsure. Two in five merchants claim to be paying one rate and two in five claim to be paying a range of rates, typically being a few different rates rather than many (i.e. interchange plus / unbundled).

Around half merchants charged either one rate or a few different rates for their Mastercard and Visa card payments are unsure of the specific rates they are charged. The claimed rate most commonly falls between 1.1% and 2% if being charged one rate. If being charged a few different rates, the lowest rate most commonly falls between 0.5% and 2%, and the highest rate between 1.5% and 4%.

Acquiring fee: Among merchants with many different rates for their Mastercard and Visa card payments, three in ten are unsure if they are charged an acquiring fee. One in three claim to be charged one additional rate, and slightly more (38%) to be charged several additional rates.

Change in merchant fee rates: When asked if their Mastercard and Visa merchant fee rate/s have changed over the past 12 months, one in three are uncertain. Around two in five think their fee rate(s) have stayed the same. One in five merchants claim that their merchant fees have increased over the past 12 months. This is typically due to their Acquirer increasing their fees (16%) rather than due to having changed their pricing plan (4%). One in ten merchants (9%) state their merchant fees have decreased. Although some have negotiated cheaper fees, changed pricing plan or changed Acquirer, 6% of merchants claim to have reduced fees over the past 12 months without needing to negotiate. Businesses with high annual turnover (\$2,500,000 plus) more commonly claim to have increased fees while businesses with lower turnover (< \$100,000) more commonly claim to have decreased fees.



Payment surcharges

Incidence and Considerations:

Currently surcharge: Just over one in five merchants (22%) currently surcharge some types of cards or transactions. When deciding whether to add a surcharge or not, the main consideration among merchants who currently surcharge was the cost to themselves and whether they could afford not to. Some considered whether similar businesses were surcharging. Only one in five took their customers into consideration.

Surcharged previously: A small minority (3%) have surcharged previously but have stopped. Their main reasons for stopping were customer considerations including their relationship with their customers, the fairness to customers, and customer expectations. (Caution: Low sample size)

Considered: One in five merchants have considered surcharging but never applied one. In contrast to those who surcharge, their main considerations when deciding whether to add a surcharge or not was their customer relationship and expectations. Some considered whether the surcharge would be fair to customers and whether similar businesses were surcharging. Relatively few considered the cost to themselves.

Unaware: One in ten (9%) merchants were unaware they could surcharge. When asked, few felt annoyed or upset about not knowing and most were unconcerned, typically because they consider themselves unlikely to apply a surcharge.

Payment options surcharge: Among merchants who surcharge, four in five add a surcharge to Mastercard or Visa credit cards. Around two in five add a surcharge to debit cards and 23% to contactless payments.

First applied: Focusing on merchants who surcharge Mastercard or Visa card payments, one third first began applying a surcharge after the initial Covid-19 restrictions in 2020, and almost one in five within the past year.

Surcharge rate: Two in three claim that their surcharge is about the same as their merchant fees, 13% claim to charge less than their merchant fees and 8% to charge more. Almost all apply a single surcharge rate and only 8% apply several surcharge rates. The most common surcharge rate among merchants who apply a single rate is between 1.6% to 2%. This is followed by rates between 2.1% to 3%, although some claim to be applying surcharge rates in excess of 4%.



Payment surcharges (cnt'd)

Likely impact if merchant fees decreased: Merchants who surcharge were asked to think hypothetically about what they would do if their merchant fees decreased by 1% point. Three in five think they would reduce their surcharge rate and one in ten would stop applying a surcharge altogether. However, around one in five think they would keep their surcharge rate the same despite the reduction in merchant fees.

Steering customers: The majority of merchants do not try to steer customers to one type of payment method over another. Fifteen percent admit that they do try to steer customers towards specific payment methods. Most commonly, they encourage customers by asking them verbally to use another method. Small numbers use other methods such as signage, card brand logos, or discounts and promotions on specific payment methods.

Current payment arrangements

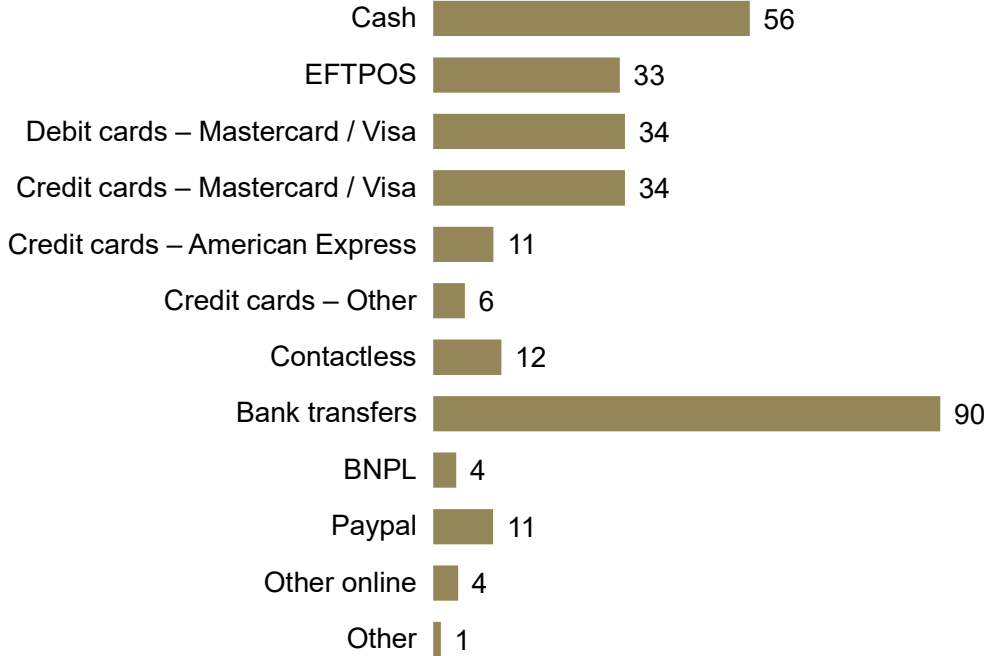


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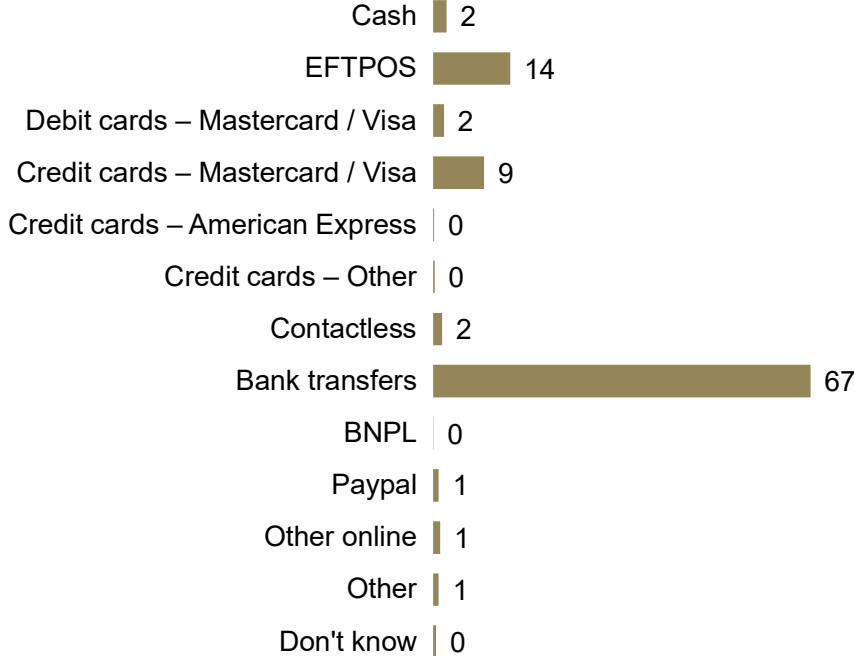
Most merchants (90%) offer bank transfers and this is the most frequent payment method used by customers. Three in five offer cash payments, and one in three offer EFTPOS and Mastercard / Visa debit and credit cards. AMEX is less common although offered by one in ten. Twelve percent offer contactless payments to their customers, and relatively few (at 4%) offer Buy Now Pay Later (BNPL).

Payment methods offered to customers (% , among all merchants)

All payment methods offered

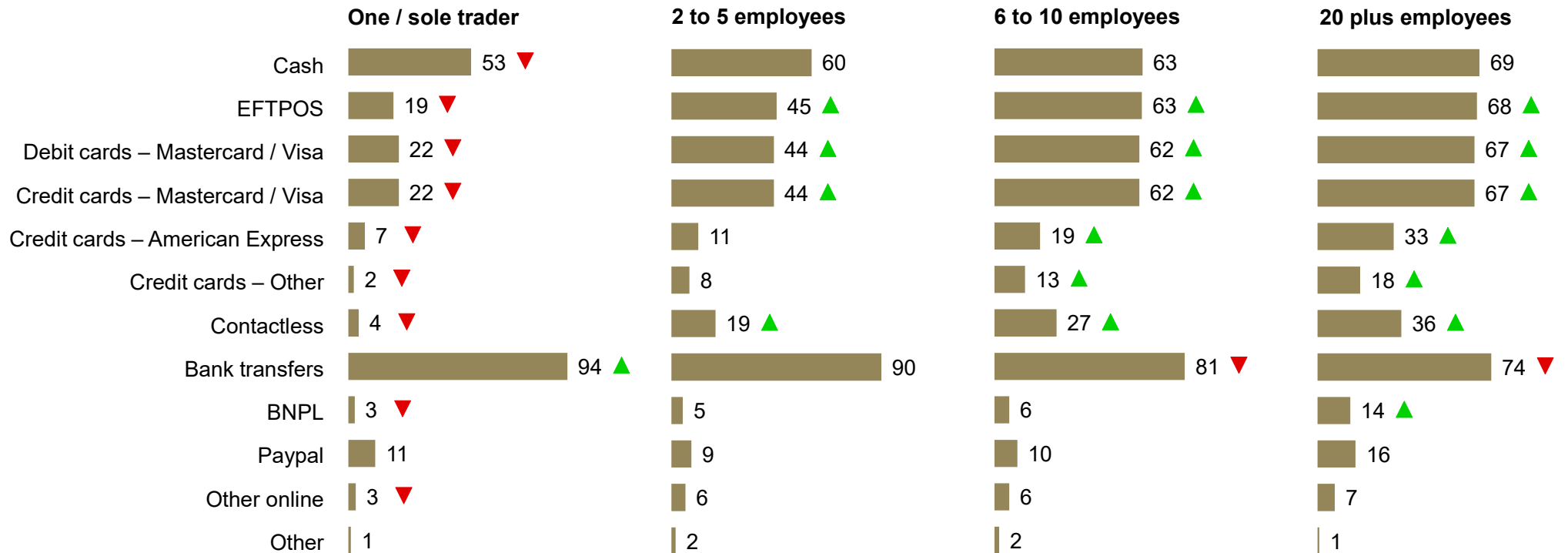


Most frequent payment method used by customers



Payment methods offered vary by business size. Sole traders (58% of businesses overall) mainly offer bank transfers and cash. Whereas, as businesses increase in employee size, they tend to offer a more diverse range of payment options. Larger businesses (20 plus employees) offer the widest range of options including Mastercard / Visa credit cards (67%), contactless (36%) and BNPL (14%).

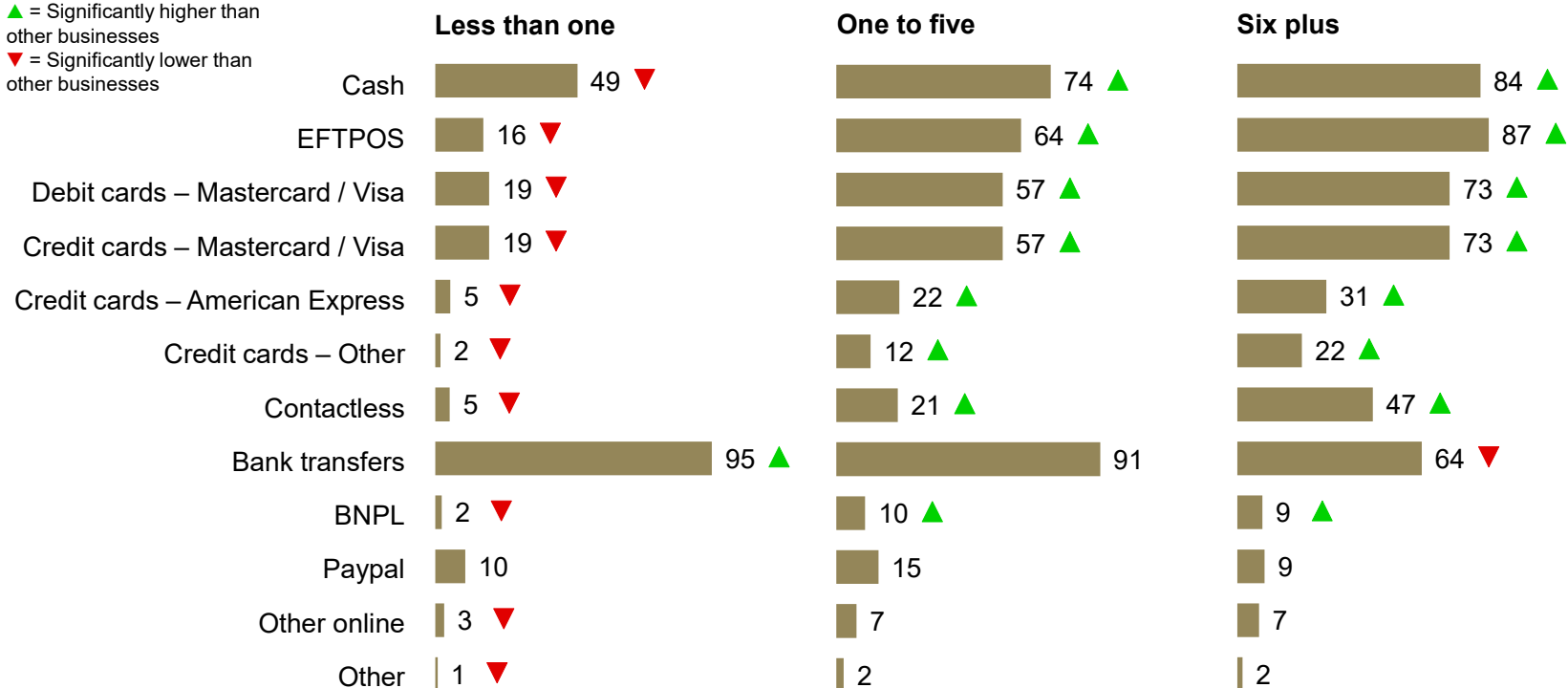
Payment methods offered to customers - by number of employees (% , among all merchants)



Merchants with a higher number of transactions tend to offer more payment options than those with fewer transactions. The majority of businesses with six plus transactions per hour offer EFTPOS and three in four offer debit and credit cards. Contactless is also important to this group and offered by half as a payment option.

Payment methods offered to customers - by transactions per hour (% , among all merchants)

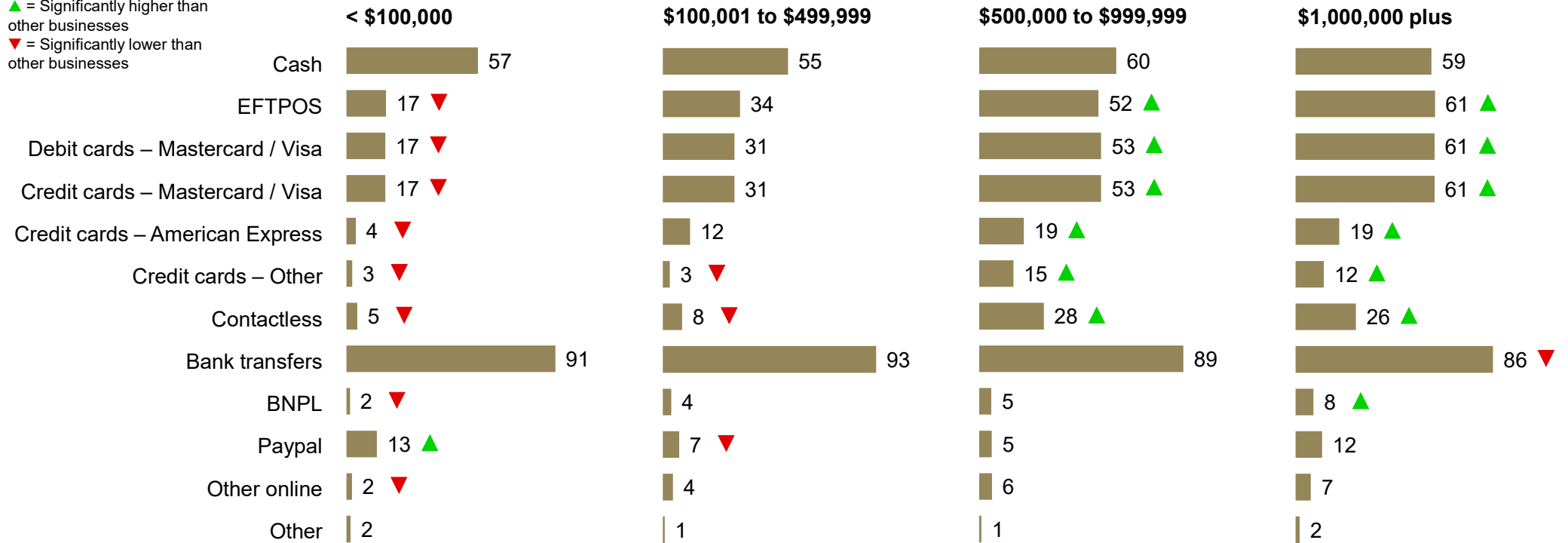
▲ = Significantly higher than other businesses
▼ = Significantly lower than other businesses



Payment methods such as debit cards, credit cards, contactless and BNPL are more commonly offered by businesses with higher annual turnover (\$500,000 plus). Businesses with lower annual turnover of less than \$100,000 mainly offer cash and bank transfers.

Payment methods offered to customers - by annual turnover (% , among all merchants)

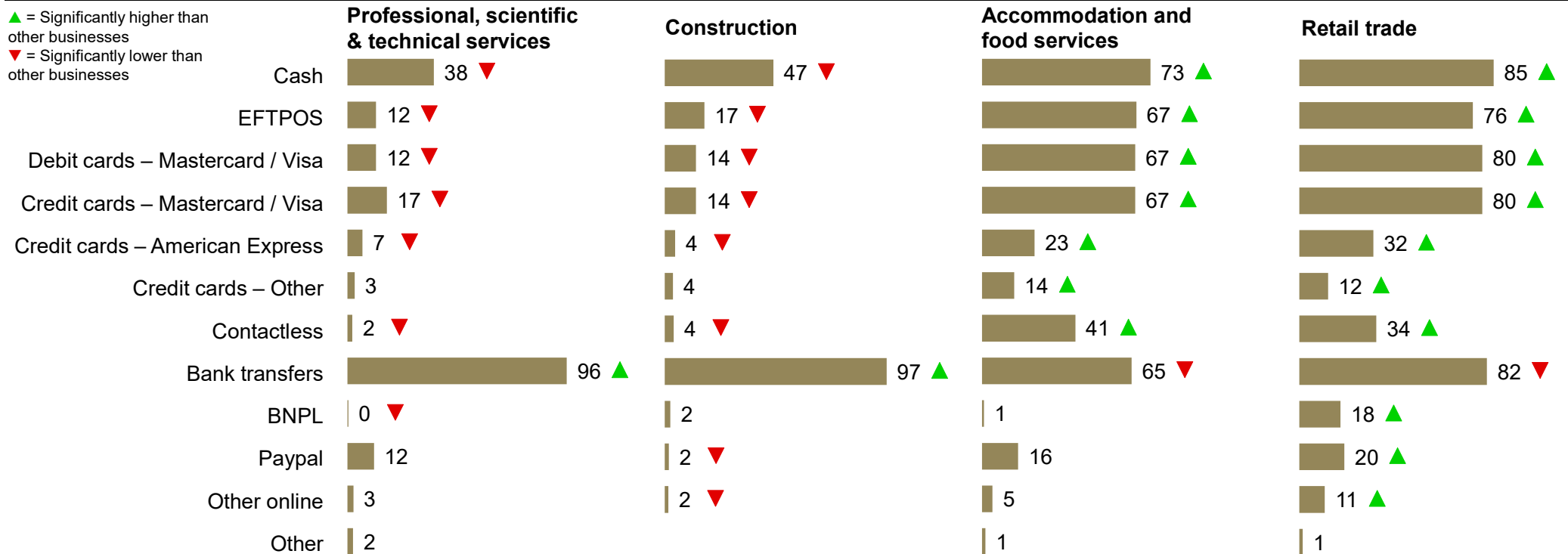
▲ = Significantly higher than other businesses
▼ = Significantly lower than other businesses



Payment options vary by industry. Construction and professional, scientific and technical services are more likely to rely on bank transfers. Retail trade and accommodation and food services more commonly offer most payment methods with the exception of bank transfers.

Payment methods offered to customers - by industry (% , among all merchants)





▲ = Significantly higher than other businesses
▼ = Significantly lower than other businesses



The majority of merchants are at least somewhat satisfied with their payment arrangements overall. Almost two fifths are 'very satisfied', which is more common for business that are sole operators, with lower turnover (< \$100,000) and with fewer than one transaction per hour. Only one in five merchants are dissatisfied which are more commonly businesses with six plus transactions per hour, hospitality and personal / automotive services.

Satisfaction with payment arrangements overall (% , among all merchants)

Merchants more commonly dissatisfied (rating as 1 to 3)

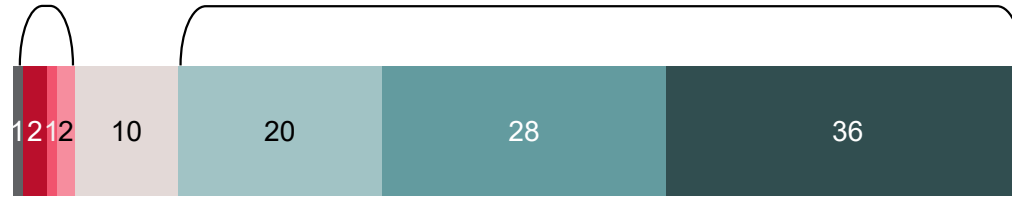
-  6 plus transactions per hour (10%)
-  In person - at premises (7%)
-  Accommodation & food services (13%)
-  Personal & automotive services (10%)

Total dissatisfied

5%






Total satisfied

84%



■ Don't know ■ 1 - Very dissatisfied ■ 2 ■ 3 ■ 4 ■ 5 ■ 6 ■ 7 - Very satisfied

Merchants more commonly 'very satisfied' (rating as 7)

-  One / sole operator (45%)
-  < \$100,000 per annum (46%)
-  < 1 transaction per hour (40%)
-  Administrative / support services (52%)
-  Professional / scientific / technical services (50%)

Among the 5% dissatisfied with their payment arrangements, the most common reason is dissatisfaction with the fees charged for payment methods such as credit card and contactless fees. Other mentions include delays in payments reaching their bank and poor service.

Reasons for dissatisfaction with payment arrangements overall - selection of responses

Bank fees are horrendous each month. You cannot refuse a customer wanting to pay by credit card or contactless, but we are *paying about \$3000 per month* for them to have that privilege. (Accommodation and food services)

Fees are massive; especially BNPL and TradeMe. (Retail trade)

The *fees are too high* and there is a *huge range of fees* depending on the bank and type of card. It *needs to be a simple % of the sale* and be at a *more reasonable rate.* (Retail trade)

Poor service, small terminals with few or no options for larger pinpads for older customers. *High cost of fees* to owners for accepting transactions. (Accommodation and food services)

The *merchant fees are a huge cost of \$40,000 for our business last year.* I have resisted payWave for this reason but customers now don't always have cards or pins. I feel forced into having to pay a ridiculous amount for this. (Accommodation and food services)

Costs are extremely high for small businesses. (Accommodation and food services)

Fees associated with use of credit cards. (Health care or social assistance)

There's a lot of *uncertainty and distrust in bank transfers.* Little to no protection for either the customer or myself. It also means I have to chase up payments myself. (Arts or recreation services)

The *fees on credit card transactions and contactless transactions are too high* compared to other countries. (Personal & automotive services)

Too much *delay in reaching our bank* and *too expensive.* (Retail trade)

PayPal fees are too expensive. (Manufacturing)

The *bank charge / fee as a cost of taking a credit card and pay wave payment is higher than I would like.* It is not something that consumers are even aware of, they are used to the convenience without knowing the merchant cost. (Personal & automotive services)

Why charge for contactless? (Accommodation and food services)

The *system is so much more difficult now that we don't have access to a bank in our town, balancing tills has been hard.* (Accommodation and food services)

The *costs are too high.* (Retail trade)

Merchants who are satisfied with their payment arrangements overall cite a wide range of reasons including being simple, seamless, easy to use for both the business and customer, being risk free, no or low fees, quick transfer of funds into their bank account and easy to track.

Reasons for satisfaction with payment arrangements overall - selection of responses

Our system is basic and uncomplicated. Fees are very low or non existent and paperwork is minimal. (Construction)

Internet banking services are seamless. (Agriculture, forestry, fishing)

It's convenient, clients can pay easily. (Personal & automotive services)

Payment is immediate and easy to do. (Health care or social assistance)

Ease of use and reasonably priced. (Manufacturing)

No hassles or problems with payments! (Education or training)

Payments are quick and guaranteed. (Manufacturing)

Seamless with very little human intervention or errors, refunds easy too. (Transport, postal or warehousing)

Bank transfers are easy to track. (Professional, scientific & technical services)

Easy, quick, fast, safe. (Retail trade)

Everything is linked to our inhouse accounting system. We see funds transferred in real time. (Retail trade)

Ease of payment from customers = happy customers. (Information media or telecommunications)

Easy to track and money is in the account straight away with no fees. (Rental, hiring or real estate)

Bank transfers are simple and nil cost. (Finance or insurance)

Does all we require - makes payment easy for customers. (Personal & automotive services)

Safe and secure, easy to keep track and customer / clients prefer this as very easy / convenient for them. (Rental, hiring or real estate)

Safe and efficient with low fees and easy for everyone to do. (Manufacturing)

The variety of methods suits me. (Agriculture, forestry, fishing)

Risk free, quick deposit of funds into our account. (Retail trade)

Gets money in account over night and no banking required by me to do. (Retail trade)

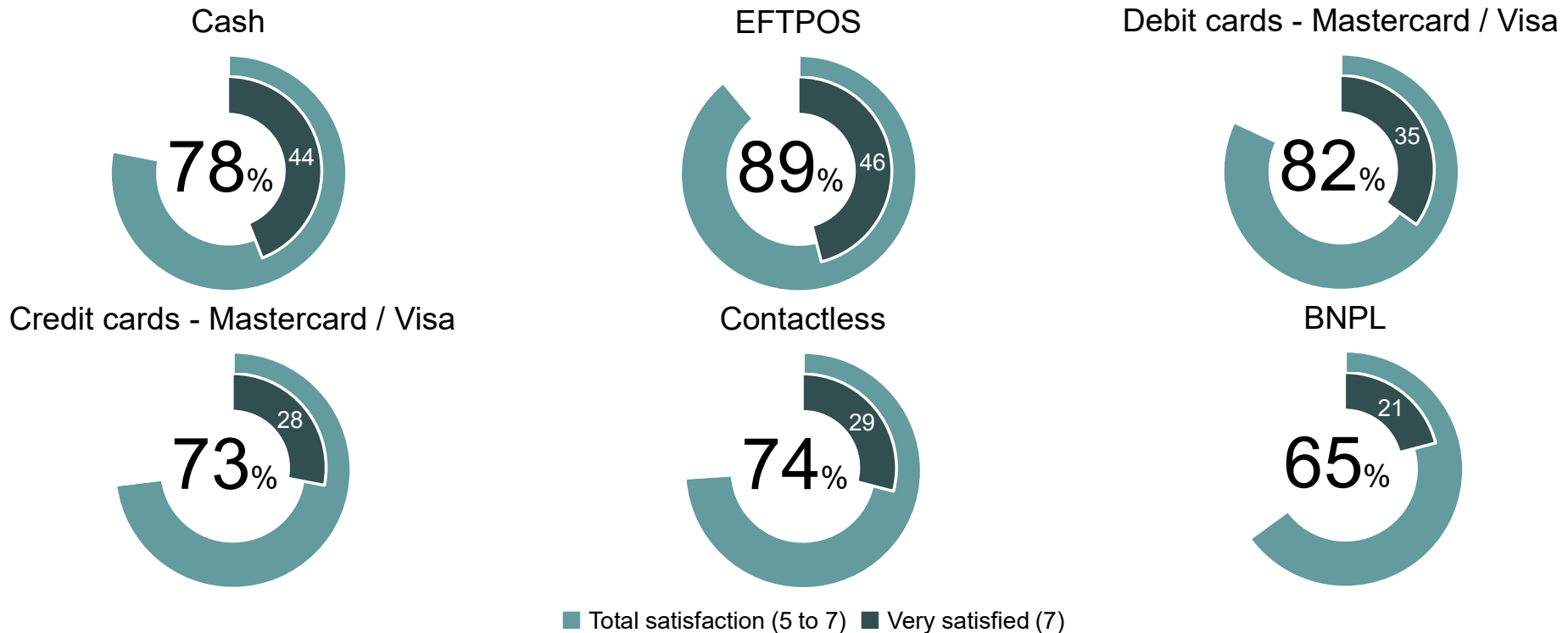
Simple and easy for the large amounts we are involved in. (Finance or insurance)

We offer a wide range of payment methods - there is something for all customers. (Retail trade)

Very simple and no cost to me. (Administrative or support services)

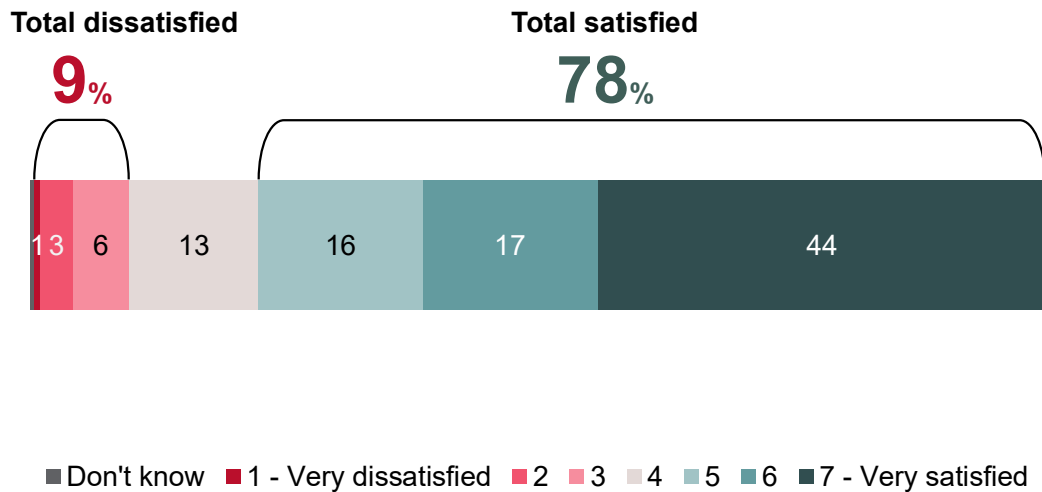
Among those who offer each payment method, satisfaction is highest for cash, EFTPOS and Mastercard / Visa debit cards. Although three in four are satisfied with Mastercard / Visa credit cards and contactless, they are less likely to be strongly so. Satisfaction is lowest for BNPL at 65% and only one in five merchants who offer it are strongly satisfied with the payment method.

Summary of satisfaction with payment methods offered (% , among merchants who offer each payment method)



Almost four in five merchants who offer cash are satisfied with this payment method and 44% are very satisfied. However, one in ten (9%) are dissatisfied with reasons including the time and inconvenience involved with visiting a bank to deposit the cash, lack of banks in some areas, security concerns and more room for error.

Level of satisfaction with cash (% , among merchants who offer cash payments)

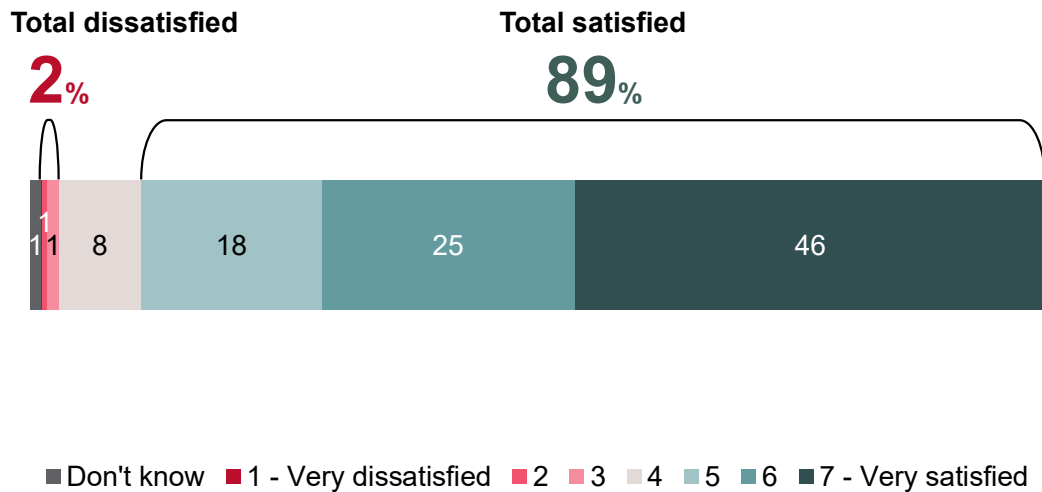


Reasons dissatisfied - selection of responses

- Hardly ever used. Extra step to put into bank account.* (Professional services)
- Time consuming and risk profile.* (Arts or recreation services)
- The actual banking of it - the lack of banks. Maintaining a float is also challenging now.* (Retail trade)
- We have to drive a 40 minute return trip to make cash deposits at the bank.* (Health care or social assistance)
- We do not have a bank in the district.* (Rental, hiring or real estate)
- Additional handling time, room for error.* (Accommodation and food services)
- Time consuming to bank. Security concerns.* (Personal & automotive services)
- Security / fraud concerns, requires manual processes to support acceptance, more room for error.* (Retail trade)
- More handling involved, need to deposit it.* (Construction)
- The difficulty of banking it now so many branches are closed.* (Personal & automotive services)

Only a small minority of merchants (2%) who offer EFTPOS payments are dissatisfied. Reasons mentioned include EFTPOS being unreliable, outdated machines and the cost. The majority are satisfied with EFTPOS payments and almost one in two merchants (46%) are strongly so.

Level of satisfaction with EFTPOS (% , among merchants who offer EFTPOS payments)



Reasons dissatisfied - selection of responses

*EFTPOS machines are **unreliable and cost far too much**.* (Accommodation and food services)

*It **costs too much** even the **paper for printing receipts is an added cost**.* (Retail trade)

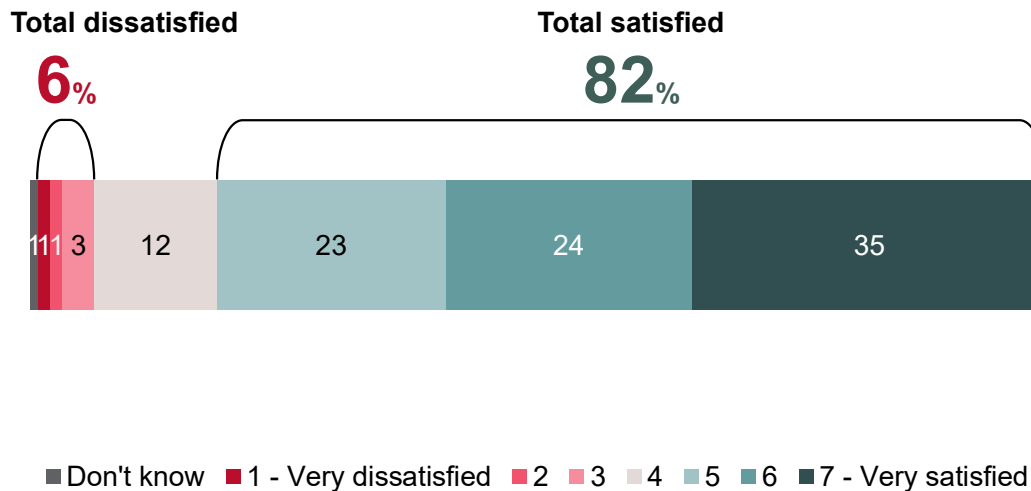
***Outdated EFTPOS machine from provider**.* (Accommodation and food services)

***Charges and connection loss**.* (Manufacturing)



Although the majority of merchants offering Mastercard and Visa debit cards are satisfied, high satisfaction is more moderate at 35%. Six percent are dissatisfied, with the most common reason being the fees that can be incurred. Some in the accommodation industry are also concerned that customers may not have the funds available to cover the costs.

Level of satisfaction with debit cards – Mastercard / Visa (% , among merchants who offer debit cards – Mastercard / Visa payments)



Reasons dissatisfied - selection of responses

Costs involved when compared to EFTPOS. (Accommodation and food services)

It shouldn't cost the retailer fees for the customer to use their own money but banks are trying to collect these fees by issuing debit cards from Visa etc instead of an EFTPOS card which is for free. (Retail trade)

People use them to book their accommodation but they provide no security as often people do not hold funds in the linked account. Payment wise - they incur a charge when used in a contactless way. My current understanding is that if inserted / swiped they incur no merchant fees but no-one chooses to do this. (Accommodation and food services)

They have no security with them, unlike normal credit cards when you know there is money if you need to charge for some damage etc. (Accommodation and food services)

The bank charges me a fee. (Health care or social assistance)

Fees involved. (Rental, hiring or real estate)

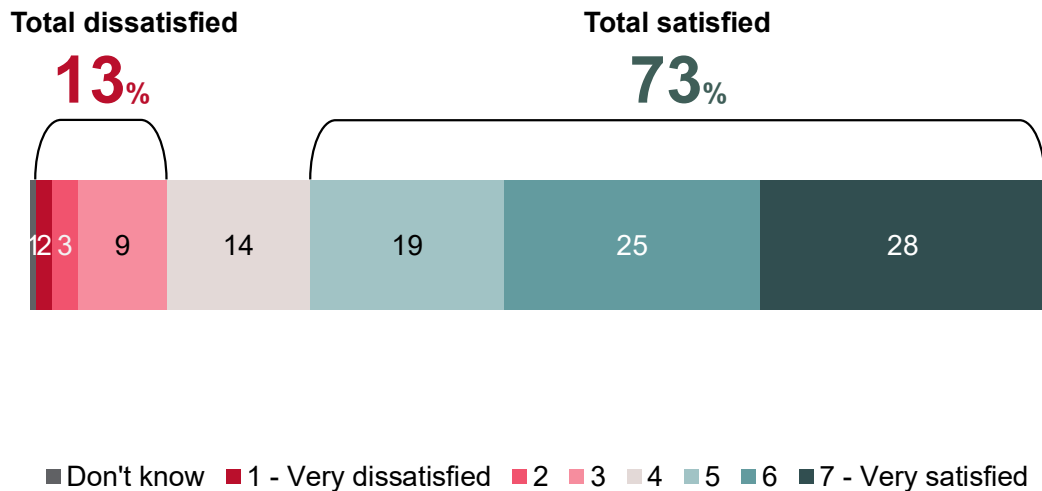
High fees / commission. (Education or training)

Too high commission rate. (Transport, postal or warehousing)



Three in four merchants offering Mastercard and Visa credit cards are satisfied with the payment method. However, satisfaction is more moderate compared to payment options such as EFTPOS and debit with only 28% strongly satisfied. Thirteen percent are dissatisfied with Mastercard and Visa credit card payments. The most commonly mentioned reason is the fees associated with accepting a credit card payment which are often perceived as high.

Level of satisfaction with credit cards – Mastercard / Visa (% , among merchants who offer credit cards – Mastercard / Visa payments)



Reasons dissatisfied - selection of responses

Charges and fees ...the fees that I have to pay each month is too much for a small business in these times. (Retail trade)

I have to charge a surcharge with each transaction. (Wholesale trade)

Costs - very high here in NZ compared to Australia. (Administrative or support services)

Merchant service fees...customer complaints when passing on the cost. (Accommodation and food services)

The fees. We are held to ransom, there is no competition. (Retail trade)

Fees associated with the use of a credit card. (Health care or social assistance)

Merchant settlement fees are exorbitant! (Accommodation and food services)

The fees are too high and the rates too widely varied. (Retail trade)

Expensive merchant fees. (Retail trade)

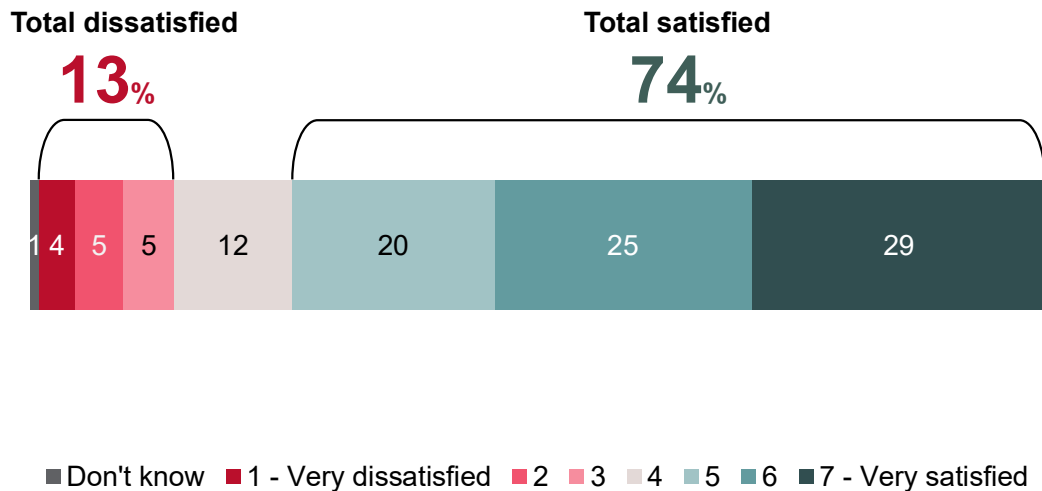
Fees are too high. (Construction)

Merchant fees are way too high. (Personal & automotive services)



Three in four merchants who offer contactless payments are satisfied with the payment method but only three in ten are strongly so. Thirteen percent are dissatisfied due to the merchant fees associated with providing this payment option which are viewed as too high.

Level of satisfaction with contactless (% , among merchants who offer contactless payments)



Reasons dissatisfied - selection of responses

Fees involved are excessive and no bank person I've spoken to can justify them. (Personal & automotive services)

merchant fees are far too high and unfair. (Retail trade)

The high cost of providing the service. (Retail trade)

The cost of having it. (Manufacturing)

The expense is an unreasonable new cost that businesses are being expected to carry. (Accommodation and food services)

Convenient for the customers but costs us more and customers are far less likely to tip our staff. (Accommodation and food services)

Bank fees are the one and only complaint. (Accommodation and food services)

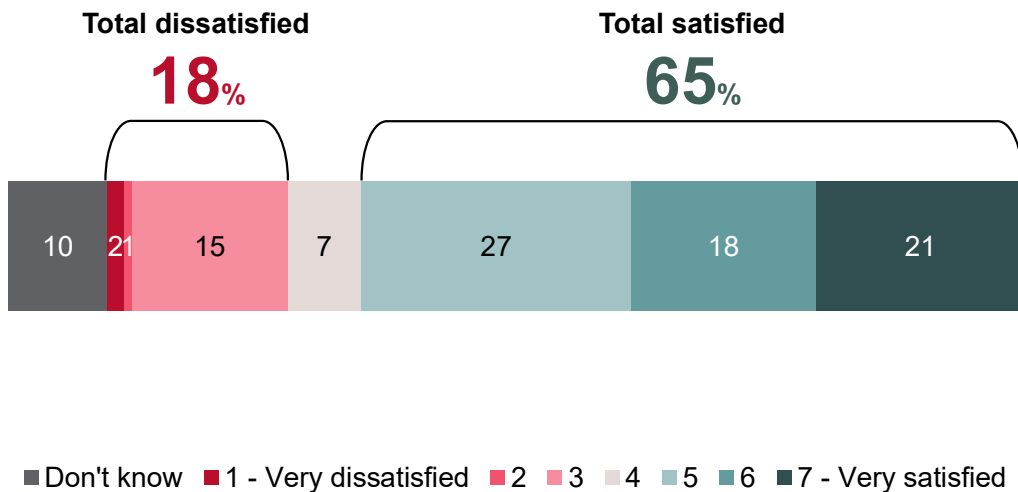
High fees. (Professional, scientific & technical services)

The cost to businesses for accepting contactless. The costs should be either on the user or shared more equally between user and acceptor. (Accommodation and food services)

Fees are too high. (Retail trade)

Satisfaction is more moderate towards BNPL among merchants who offer it. Although two in five are satisfied, only one in five are very satisfied and around one in five are dissatisfied with this payment method. The most common reason for being dissatisfied is the cost associated with providing this option.

Level of satisfaction with BNPL (% , among merchants who offer BNPL payments)



“

Reasons dissatisfied - selection of responses

Doesn't get used much. (Retail trade)

Very expensive for the retailer. (Retail trade)

High fees / commissions. (Personal & automotive services)

Excessive fees. (Retail trade)

Customers' motivation to pay can flag. (Arts or recreation services)

The fees that we take on are just so expensive and its presented to consumers as fees free but it is not. (Personal & automotive services)

High fee costs at 4.5% plus. (Retail trade)

The customer normally tells us after the job is complete. They have huge fees for the service and we are not allowed to on charge it to the customer.

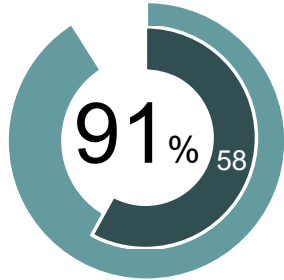
This means that we actually are doing the job for no margin as it gets eaten up by the agency. Would be happy to use it if we were allowed to charge extra to the customer for the facility. (Personal & automotive services)

”

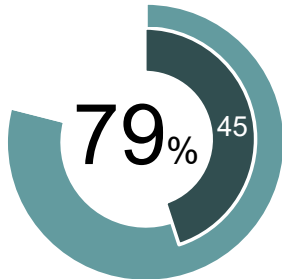
Merchants place highest importance on payment methods which offer high security, are easy to use and quickly transfer funds to their bank account. The cost of accepting the payment and how widely it is accepted are also of importance to at least three in four. Lowest importance is placed on whether the method may attract additional customers to their business / organisation, although being important to just over half.

Features of payment methods which are important to business / organisation (% , among all merchants)

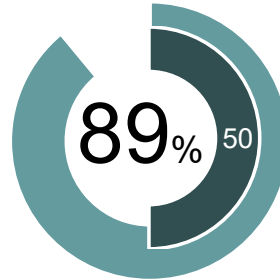
The payment method offers high security



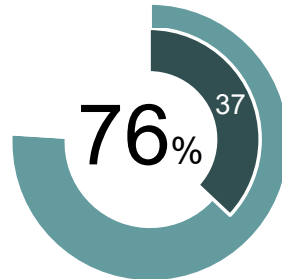
Cost of accepting the payment method



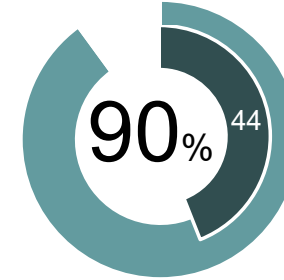
How quickly you receive funds in your bank account



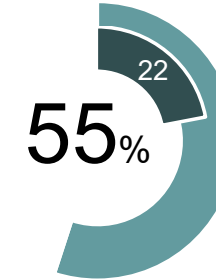
How widely the payment method is accepted



How easy the payment method is to use



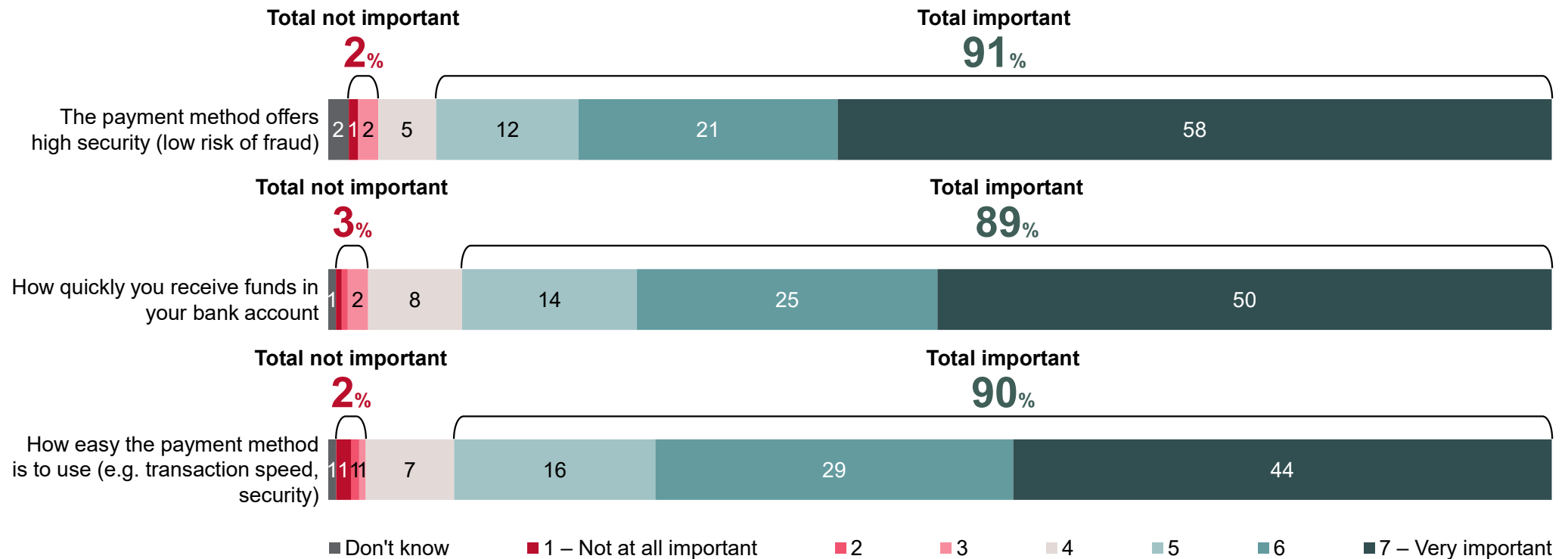
May attract additional customers to your business / organisation



■ Total important (5 to 7) ■ Very important (7)

The majority of merchants consider it important for payment methods to offer high security, allow them to receive funds quickly and be easy to use. Highest importance is placed on providing high security which is 'very' important to three in five merchants. Only a small minority (2% to 3%) consider these features to be unimportant.




Importance of payment method features to business / organisation (% , among all merchants)





There is little distinction between businesses when considering the security, speed of receiving funds and ease of use to be ‘very’ important. The construction industry places higher importance than other industries on the speed of receiving funds. Ease of use is of higher importance for newer established businesses (less than five years).

Merchants who more commonly consider the feature to be ‘very important’ (rating as 7)



The payment method offers high security (58%)

-  2 to 5 employees (64%)
-  < 1 transaction per hour (61%)
-  Over the phone (64%)

How quickly you receive funds in your bank account (50%)

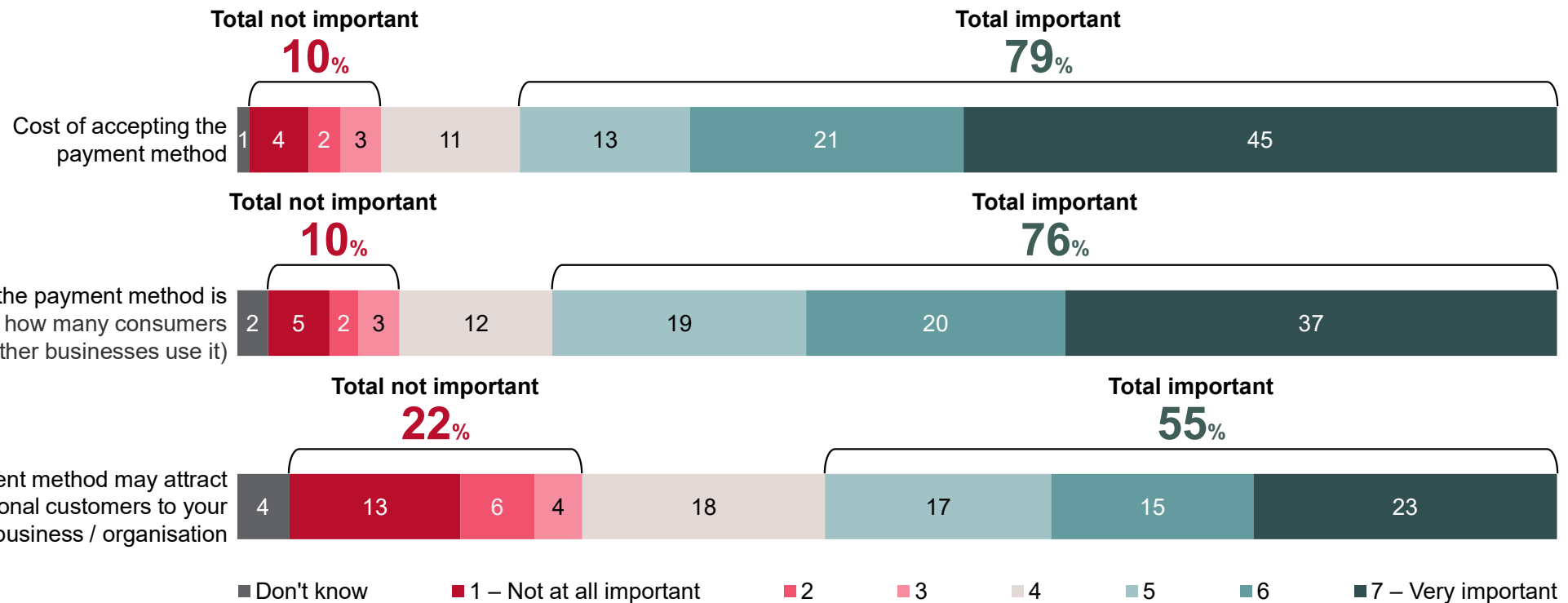
-  2 to 5 employees (57%)
-  Construction (61%)

How easy the payment method is to use (44%)

-  2 to 5 employees (52%)
-  < 5 years in business (51%)

Around three in four merchants place importance on the cost of accepting the payment method and how widely it is accepted. Only one in ten consider these features to not be important. Views are more mixed towards whether it is important for the payment method to attract additional customers and 22% do not consider this to be an important feature.




Importance of payment method features to business / organisation (% , among all merchants)





Payment methods that may attract additional customers are of higher importance (relative to other businesses) for newer established businesses of less than five years, those in the retail trade and accommodation and food services.

Merchants who more commonly consider the feature to be 'very important' (rating as 7)









Cost of accepting the payment method (45%)

-  2 to 5 employees (53%)
-  In person - at own premises (50%)
-  Retail trade (58%)

How widely the payment method is accepted (37%)

-  Over the phone (42%)
-  Agriculture, forestry, fishing (50%)

The payment method may attract additional customers to your business / organisation (23%)

-  2 to 5 employees (29%)
-  1 to 5 transactions per hour (29%)
-  6 plus transactions per hour (35%)
-  < 5 years in business (33%)
-  In person - at own premises (28%)
-  Over the phone (29%)
-  Retail trade (46%)
-  Accommodation & food services (39%)

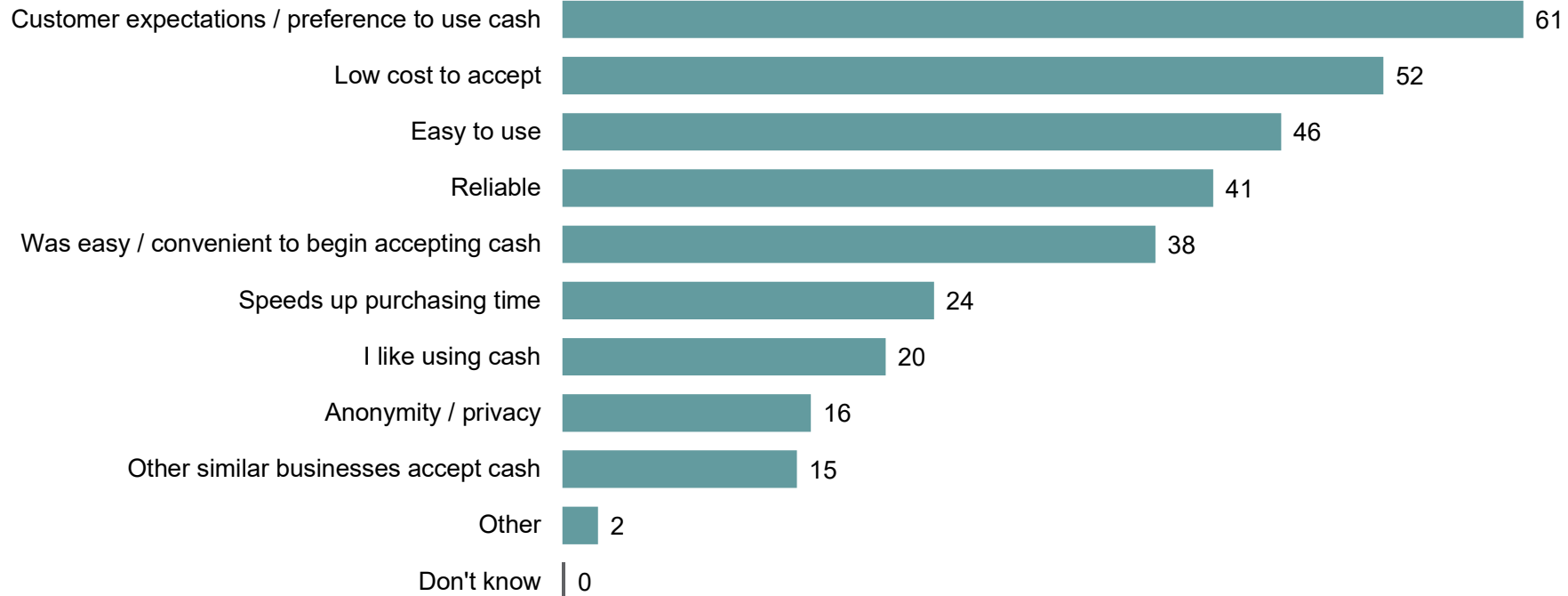
A photograph of a man in a shop apron smiling while a customer uses a mobile payment device at a counter. The background is blurred, showing other people and shop lights.

Decision making process

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Customer expectations and preference to pay using cash are the most common reasons for merchants to accept cash payments. Other common reasons include the low cost to accept cash payments, ease of use and reliability.

Reasons for accepting cash (% , among merchants who accept cash)



The inconvenience of handling cash is the most common reason for not accepting cash followed by difficulty accessing cash services. Other common reasons are not enough customers using cash, similar businesses not accepting cash and security or theft concerns. Hygiene related to Covid-19 is also a concern for one in ten merchants (12%) who do not accept cash.

Reasons for not accepting cash (% , among merchants who sell in person but do not accept cash)



Contactless payments can be a double-edged sword. This is a convenient and fast way of paying, and in some industries such as retail, it is expected by the customer. However, the fees can be expensive which has been more noticeable after a period with no fees during COVID lockdowns.

Qualitative: Sentiment towards contactless payments



Contactless uptake is mostly driven by customer expectations, particularly in high turnover, retail settings. Not offering contactless is often not really an option for these businesses (e.g. explaining alternative options can slow down transactions too much.)

On the other hand, non-retail businesses, those selling big-ticket items or with fewer transactions, find their customers to be forgiving and accepting when contactless is not provided. However, it takes time to explain this which is not always possible. Mostly, businesses not offering contactless payments have had no negative impacts from choosing not to.

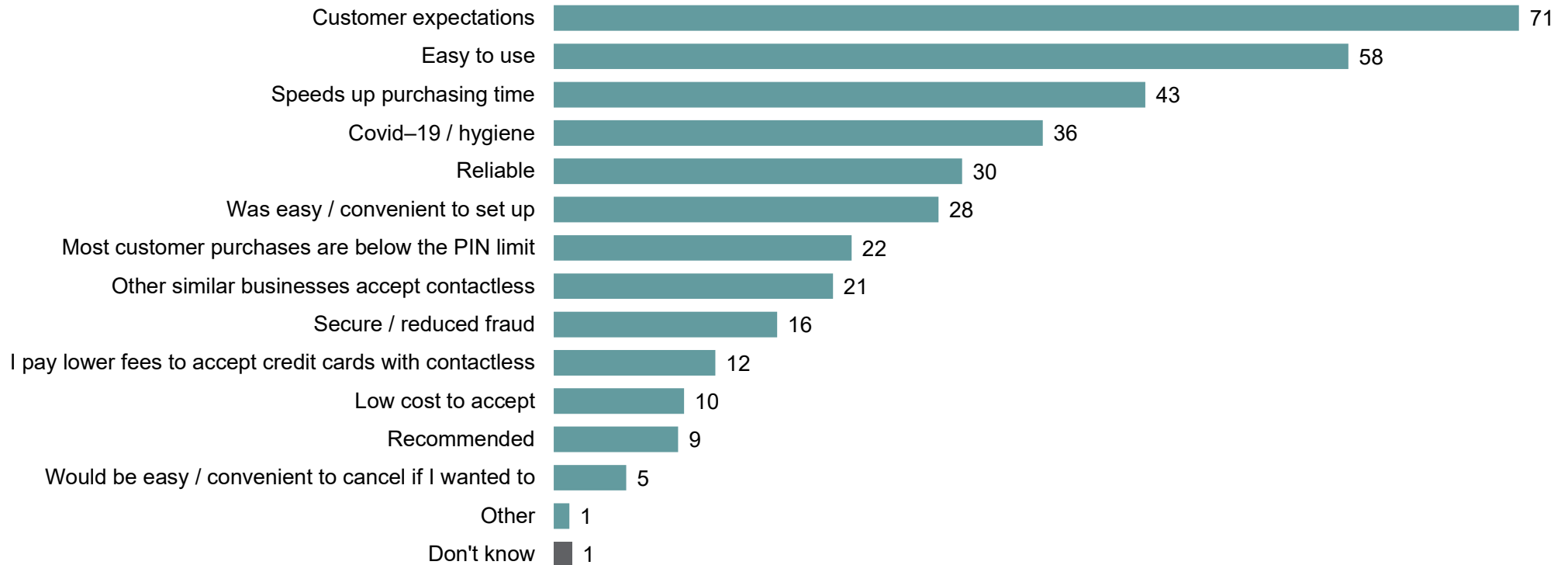
Cost is the biggest concern with contactless, but merchants are often reluctant to pass this on to consumers. Some merchants feel stuck where customers expect contactless but they do not want to charge their customers extra. There is also a lack of understanding among merchants around why banks need to charge fees for this, as well as a feeling that banks may have dropped fees during COVID to encourage uptake only to intentionally increase fees later.

“[The banks] facilitated free payWave so the merchant services fees were dropped and that got a lot of people into the habit of just paywaving. Then, when the fees came back in, everyone was still in the habit... and within a couple of months it was nearly \$1000 of merchant service fees”

“We should be encouraging people to be doing lots of contactless and the bank should just kind of suck that up a little bit”.

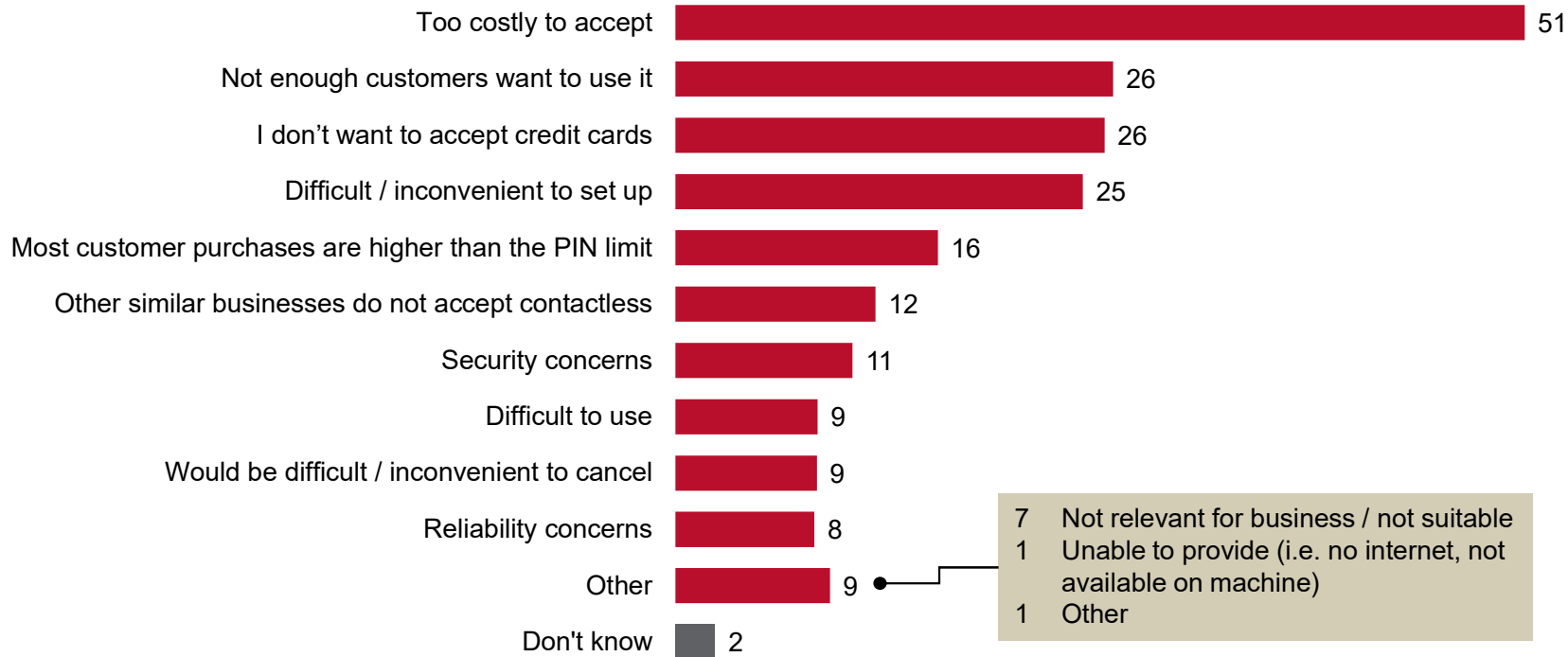
Customer expectations and ease of use are the most common reasons for merchants to accept contactless payments. Speeding up purchasing time, reliability, and being easy to set up are also reasons for many. Almost two in five merchants who accept contactless payments also do so for hygiene and Covid-19 related reasons.

Reasons for accepting contactless (% , among merchants who accept contactless)



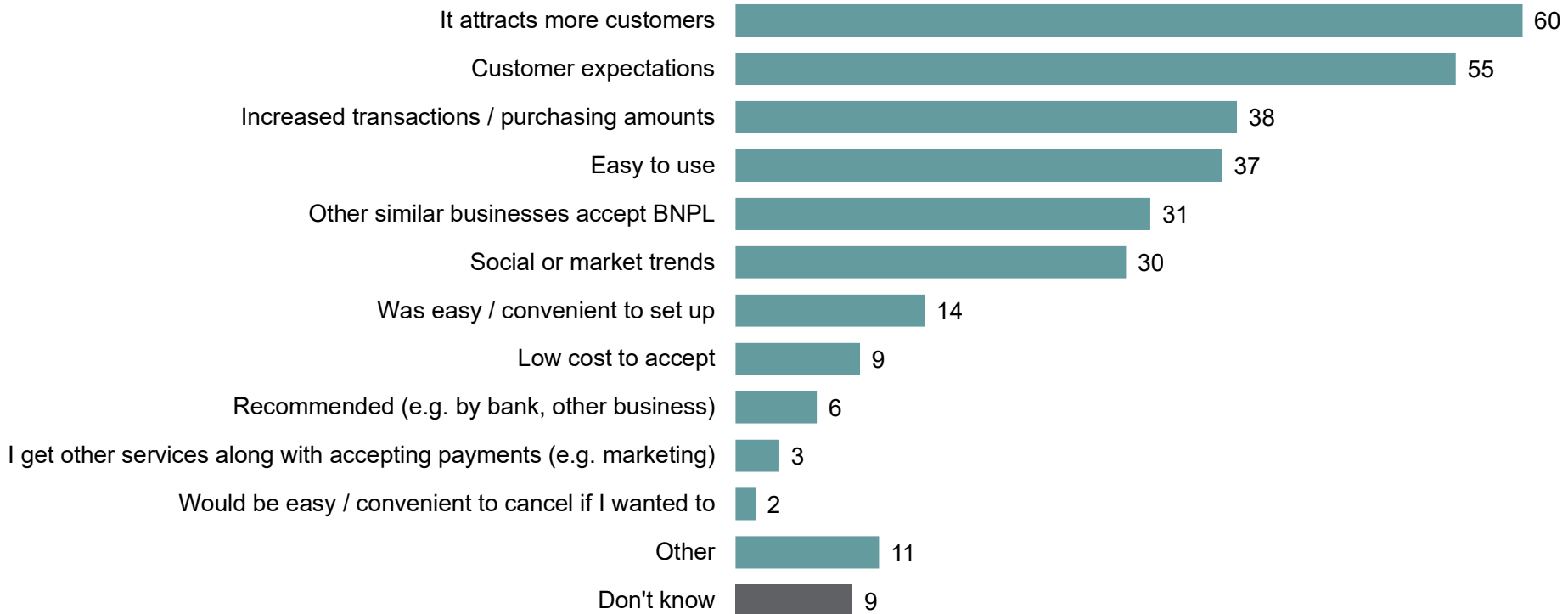
One in two merchants who sell in person but do not accept contactless payments do not offer this payment method due to it being too costly to accept. Other common reasons are not having enough customers who want to use contactless, being difficult or inconvenient to set up and not wanting to accept credit cards.

Reasons for not accepting contactless (% , among merchants who sell in person but do not accept contactless)



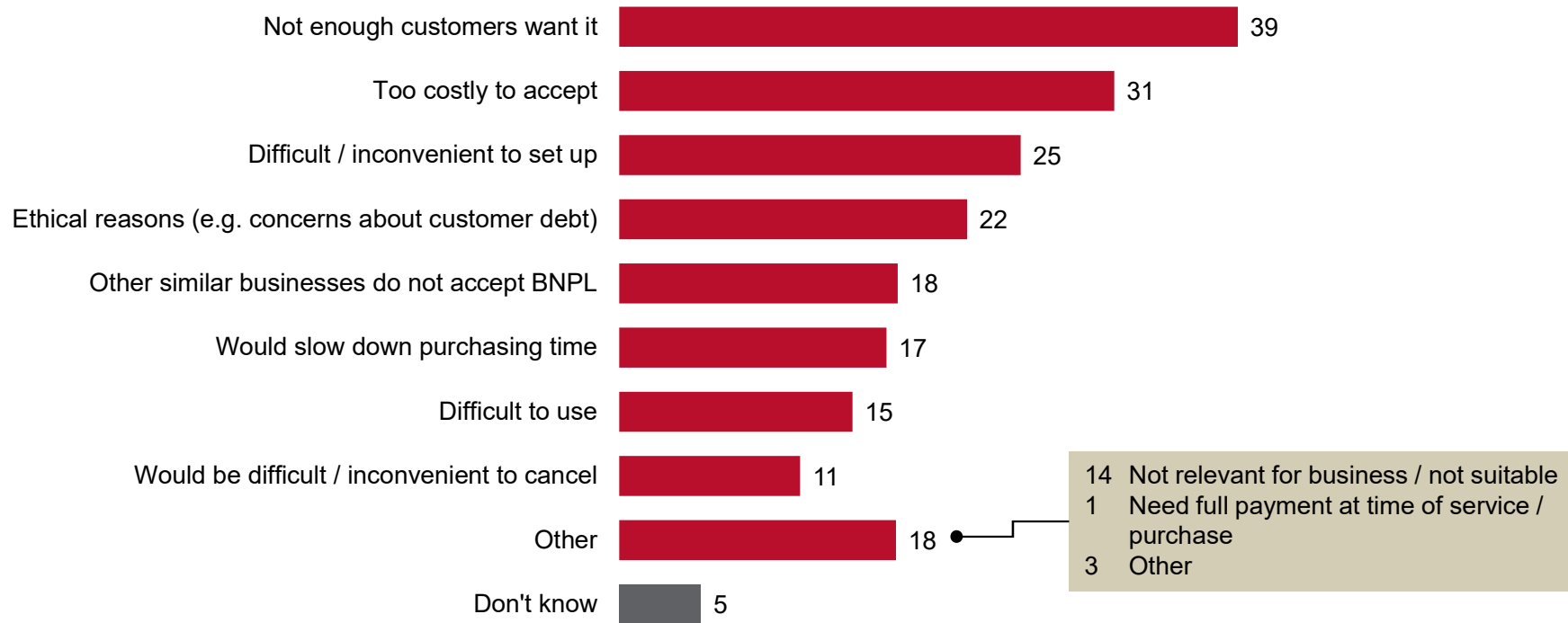
Customer expectations and being able to attract more customers are the most common reasons for accepting BNPL. Other reasons include increased transactions or purchasing amounts, ease of use, being offered by similar businesses and to keep up with social or market trends.

Reasons for accepting BNPL (% , among merchants who accept BNPL)



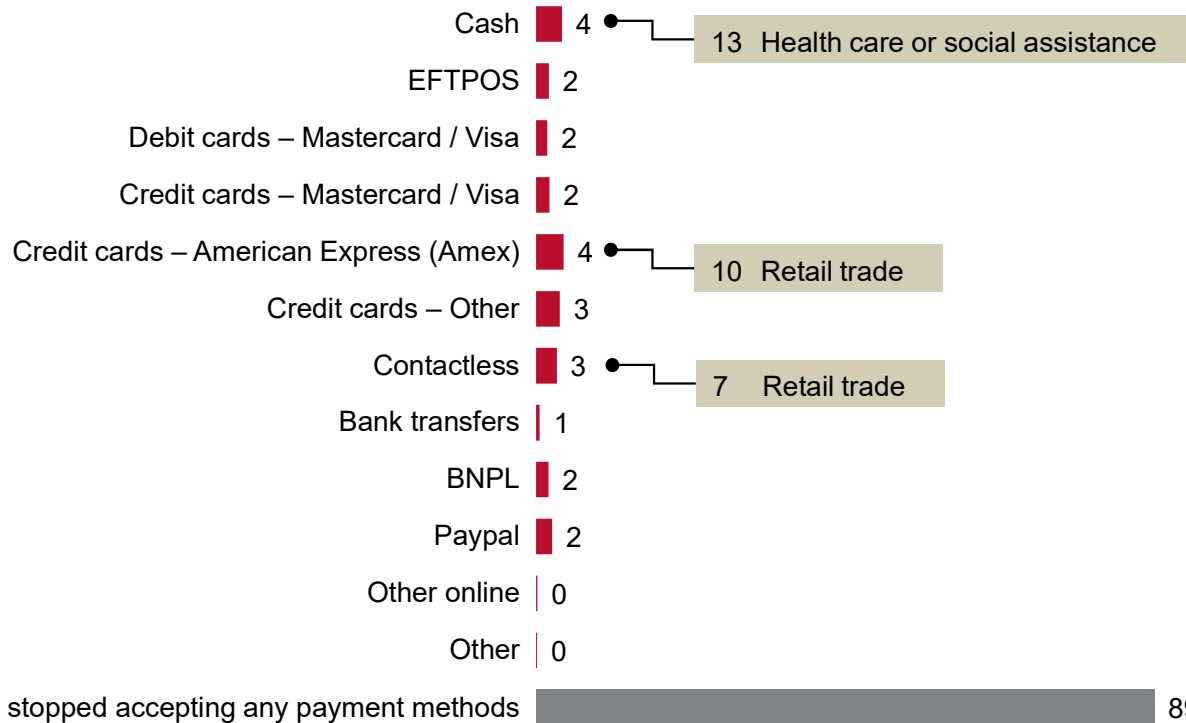
Not being wanted by enough customers, being costly to accept, being difficult or inconvenient to set up, and not being offered by similar businesses are common reasons for not accepting BNPL. Around one in four merchants who do not accept BNPL do so for ethical reasons, such as concern about customer debt.

Reasons for not accepting BNPL (% , among merchants who do not accept BNPL)



One in ten merchants (11%) claim to have stopped accepting at least one form of payment since the initial COVID-19 restrictions in March 2020. This has been more common among businesses with a larger number of employees (six plus), at least one transaction per hour and newer established businesses of less than five years. One in five within retail trade and health care or social assistance claim to have stopped accepting some payment types since COVID.

Payment methods have stopped accepting since initial COVID-19 restrictions (% , among all merchants)



Merchants who have more commonly stopped any payment methods

- 6 to 19 employees (20%)
20 plus employees (22%)
- 1 to 5 transactions per hour (18%)
6 plus transactions per hour (27%)
- Less than 5 years in business (18%)
- In person - at own premises (14%)
- Māori owned or significant employee (20%)
- Health care or social assistance (22%)
- Retail trade (20%)

Hygiene concerns and difficulty to bank are common reasons to stop accepting cash. The expense, difficulty with using, and lack of customer need are reasons mentioned among merchants who have stopped accepting BNPL.

Reasons stopped accepting payment method - selection of responses



Cash

“
Due to *Covid and safety reasons*. (Administrative or support services)
Security concerns and difficulty getting banked. (Professional, scientific & technical services)
Hygiene and difficulty in banking. (Retail trade)
Hygiene and it doesn't suit my customers anyway. (Education or training)
Security reasons. (Finance or insurance)
Most of my customers don't use cash. (Manufacturing)
The banks all closed and I can't deposit the funds easily. (Personal & automotive services)
Hygiene and the amount of time to check till totals at the end. (Accommodation and food services)
Receptionists at the time didn't want to touch it. (Health care or social assistance)
Hygiene and time cost to manage cash. (Agriculture, forestry, fishing)
Security, fraud, Covid. (Rental, hiring or real estate)
Hygiene, annoying to bank. (Retail trade)
”



BNPL

“
Consumers are not comfortable with it. (Education or training)
No customer need. (Construction)
Not easy with accounting. (Manufacturing)
It was a hassle. (Retail trade)
Expensive. (Retail trade)
Privacy. (Administrative or support services)
Not utilised. (Retail trade)
Too expensive. (Administrative or support services)
Found it easy to stop using. (Construction)
Security, reversing refunds fees. (Professional, scientific & technical services)
Cost. (Education or training)
Costs. (Retail trade)
”

The cost, which was often perceived as too expensive, and wanting to reduce fees are common reasons for stopping acceptance of Mastercard and Visa credit cards and contactless payments.

Reasons stopped accepting payment method - selection of responses



Mastercard and Visa credit cards



- Too many high costs.* (Administrative or support services)
- Cost of using credit cards.* (Wholesale trade)
- Loss of income from transaction fees.* (Health care or social assistance)
- Too high surcharge.* (Retail trade)
- Not cost effective for the size of our agency.* (Rental, hiring or real estate)
- It was not worth keeping the rental costs on through Covid.* (Accommodation and food services)
- Too expensive.* (Manufacturing)
- To reduce fees.* (Accommodation and food services)
- Fees involved.* (Rental, hiring or real estate)
- Downsized and cancelled EFTPOS machine.* (Personal & automotive services)
- Costs are high.* (Health care or social assistance)
- Bank fees.* (Construction)



Contactless



- Cost was far too expensive for a small business especially with all the lock downs...also the security factor as so many are being stolen.* (Retail trade)
- High fees.* (Education or training)
- Too costly.* (Administrative or support services)
- Because of the cost of it. For our business it is enough to employ a full time staff member for a year.* (Retail trade)
- Became too expensive.* (Manufacturing)
- The cost when all the banks stopped the fee waiver at the same time. (Interesting that they all moved on the same date.)* (Retail trade)
- The BNZ payclip device does not have this facility any more.* (Arts or recreation services)
- Cost of machine - not worth keeping.* (Health care or social assistance)
- We introduced a 2% surcharge for payment by credit cards. Too difficult in our system to set up surcharge with contactless payments.* (Accommodation and food services)



Payment service providers



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Merchants are mostly satisfied with their provider(s), but there is a level of apathy and feeling that there is probably little difference between the providers, particularly banks. For example, even if fees are perceived as high or unreasonable, merchants are unlikely to shop around, hinting at a lack of competition between providers or at least a perceived lack of competition. Merchants also need a fairly significant push to explore changing providers.

Qualitative: Sentiment towards payment service providers

“They would have to have quite a massive implosion. Because it's actually quite hard to do all that stuff as well, to change a provider is quite a mission. So, you've got to be taken to the point where you're really quite annoyed. They'd have to make fees enormous, suddenly have a big blowout in fees - that would be the only thing that would make me move really.”

“Although it's really frustrating when an ATM jams with a cash deposit. Would it be better with [bank]? Probably not.”

“We're paying 4% for contactless payment, and if all the other banks dropped their rates to 2%, or one and a half percent or something and [bank] didn't, I think we'd be having a reasonably serious conversation with them.”

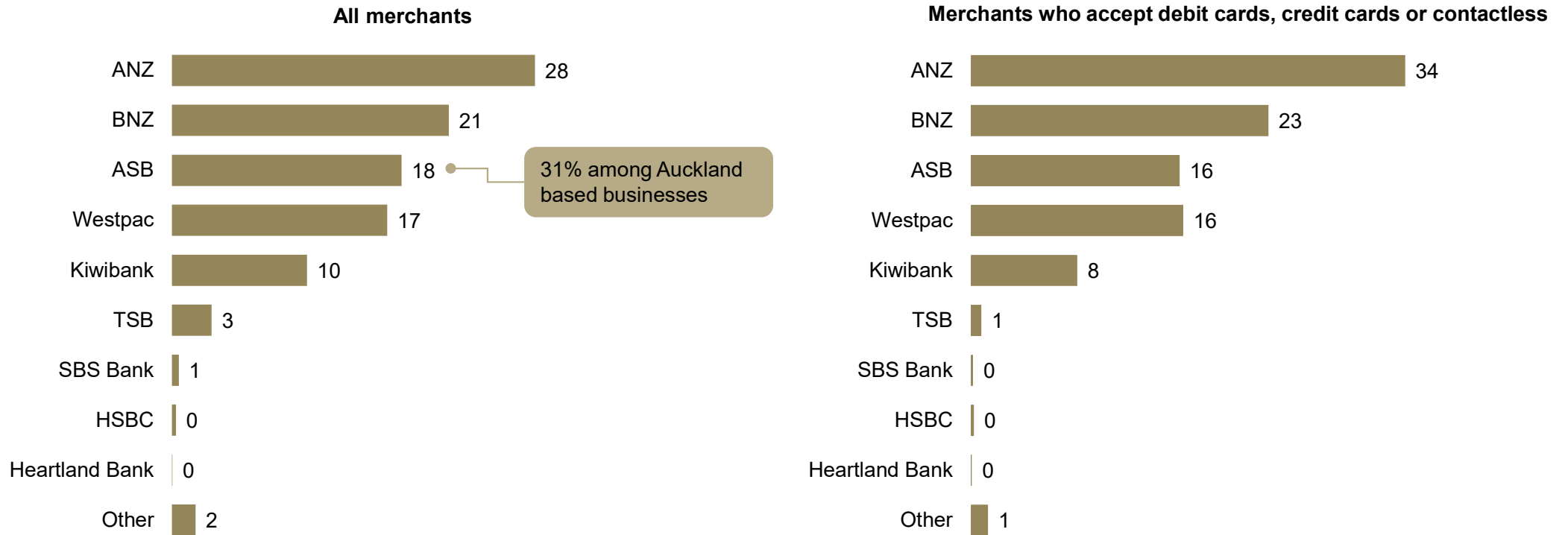
“I've stuck with [bank] because it's a simple system. And I'm used to it. And it works. So why change something if it's not broken?”

“We've been with the same bank for probably about 8 years now. It's too much hassle to change... and we've had a really good business manager who's been really helpful”

“I suppose they are reasonable. I can't imagine that two different banks would have too much difference between them and quite frankly, the hassle of looking for something cheaper would be too much.”

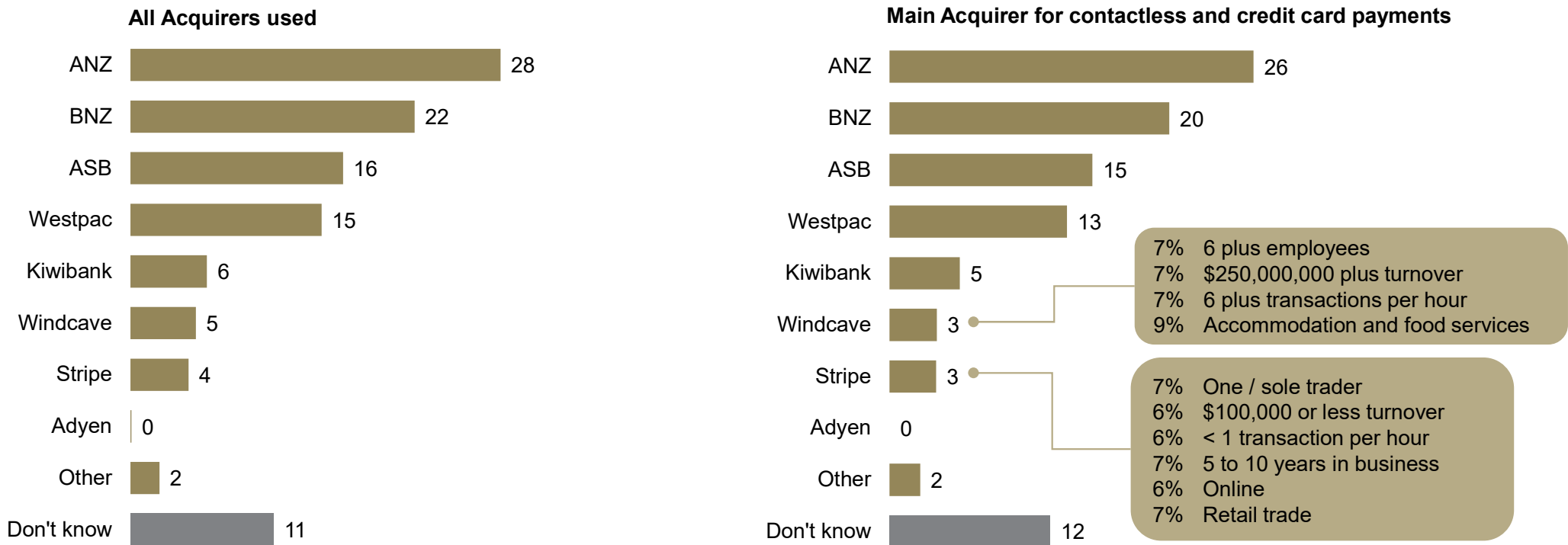
Merchants are using a wide range of banks for their business. Most common is ANZ followed by BNZ, ASB and Westpac. Merchants who accept debit cards, credit cards or contactless are similar in their use of banks.

Main bank for business banking (% , among all merchants)



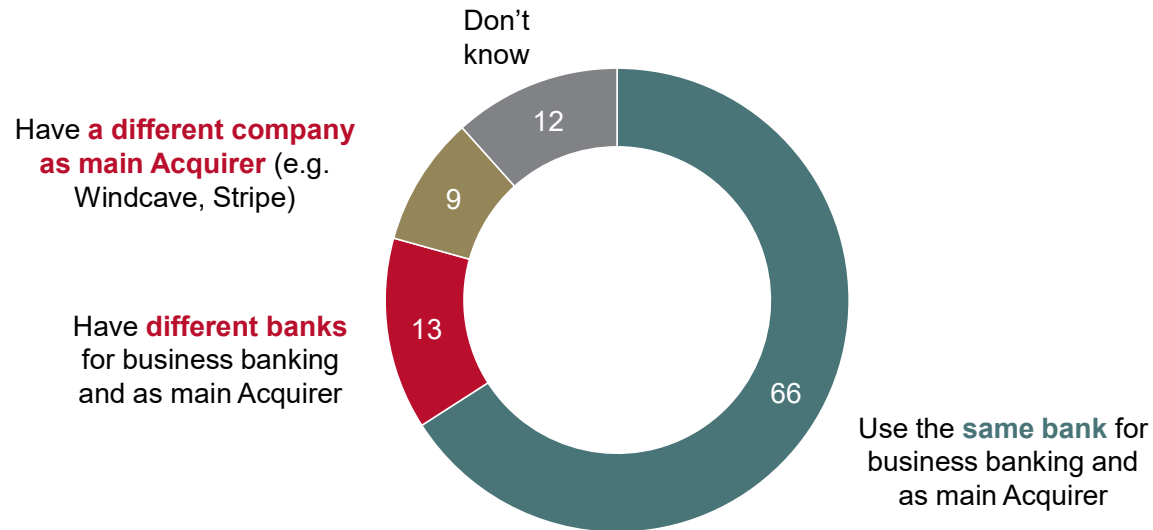
Most merchants who accept debit cards, credit cards, and contactless have one Acquirer which is typically a bank. A small minority use Windcave (5%) or Stripe (4%). Those using Windcave as their main Acquirer more commonly have 6 or more employees, high transactions and high annual turnover. In contrast, those using Stripe as their main Acquirer more commonly are sole traders, have low transactions and low annual turnover.

Acquirers used by business / organisation (% , among merchants who accept debit cards, credit cards or contactless)



Looking at the crossover between banking and Acquirer, two in three merchants use the same bank for both their business banking and as their main Acquirer. Around one in ten (13%) use different banks for banking and as their main Acquirer. One in ten (9%) use other companies such as Windcave or Stripe as their main Acquirers, and around one in ten (12%) are uncertain which company they use as an Acquirer.





Crossover between main bank for business banking and main Acquirer
(%, among merchants who accept debit cards, credit cards or contactless)

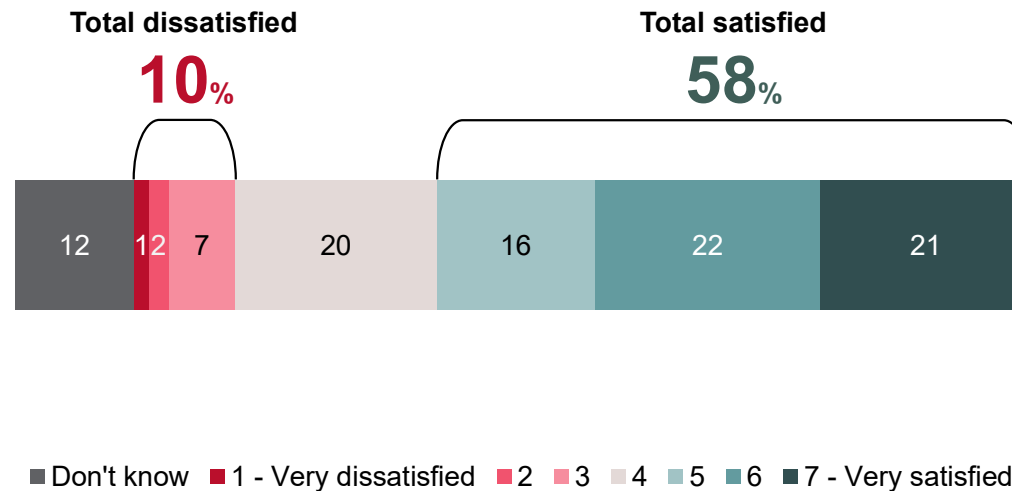


Three in five merchants are at least fairly satisfied with their Acquirer, although only one in five are 'very' satisfied. One in three merchants are either neutral or unsure. Only one in ten merchants are dissatisfied, however, this increases to one in five among those providing accommodation and food services.





Level of satisfaction with Acquirer (% , among merchants who accept debit cards, credit cards or contactless)

Merchants more commonly dissatisfied (rating as 1 to 3)

-  2 to 5 full time employees (14%)
-  6 plus transactions per hour (15%)
-  5 to 10 years operating (18%)
-  Accommodation & food services (23%)



Merchants more commonly satisfied (rating as 5 to 7)

-  20 plus employees (73%)
-  \$2,500,000 plus per annum (69%)
-  1 to 5 transactions per hour (67%)
-  < 5 years in business (67%)

Among the 10% of merchants who are dissatisfied with their Acquirer, the most commonly mentioned reasons are the cost of the fees and poor customer service. A few mention difficulties understanding the rates, citing a lack of transparency and confusion due to different rates for different cards.

Reasons for dissatisfaction with main Acquirer - selection of responses

Very slow to respond to any enquiries I might make regarding credit card transactions. (Accommodation and food services)

Cost of fees and delay in receiving funds. (Retail trade)

The statements have misleading headings, they do not make it clear to the customer what the charges are for, and they have misled me in what the charges are. (Retail trade)

They muddy the waters with regard to how much I'm paying. Fees are bundled and there is no transparency. (Accommodation and food services)

I had a contract at a fixed rate but the bank ignored this and increased the rate by up to 2%. They then decided to charge different rates for different types of card so it is impossible to determine what your merchant Service Fees will be as you don't know what card the customer will use. (Retail trade)

For a small business the fees are too high. (Accommodation and food services)

Closed their branch in our region. (Health care or social assistance)

Cost is way too high, especially considering the profits they make. (Personal & automotive services)

High costs. (Manufacturer)

The expense. The bill is a lot monthly for a small business like ours. (Accommodation and food services)

Prefer bank transfer and encourage it as Acquirer fees are outrageous. (Education or training)

Removal of our business banker - now need to deal with general branch staff. (Accommodation and food services)

They dictate their own terms. (Retail trade)

Costs are too high. (Construction)

High fees, not able to go to the bank. (Manufacturing)

The fees are too high. (Wholesale trade)

Don't hear from them at all. (Health care or social assistance)

Cost of fees to the business on an annual basis is HUGE. (Accommodation and food services)

Fees, no support. (Retail trade)

In 23 years of using them, I have been disappointed several times, not much customer service available. Not helpful. (Accommodation and food services)

Among merchants satisfied with their main Acquirer, commonly mentioned reasons include good customer service, ease of use, timely payments, fair pricing and being reliable and trustworthy.

Reasons for satisfaction with main Acquirer - selection of responses

Easy and works. The additional cost is just part of doing business. (Education or training)

They are reliable and trustworthy. (Retail trade)

No hassle, easy access to accounts and services. (Manufacturing)

Easy to use. Smooth operations with no hiccups. (Transport, postal or warehousing)

Good communication. Low fees if any for contactless and most credit card transactions. (Retail trade)

Seamless processing. (Finance or insurance)

We have a business manager for our accounts and they assist us with anything we need when it comes to banking. (Construction)

Easy, convenient and good customer service. (Arts or recreation services)

Simple system, payments on time. (Accommodation and food services)

Easy to use, good reporting and better customer service. (Construction)

Quick to action requests, know our business and our needs, offers a number of services. (Electricity, gas, water or waste)

Simple, much easier to deal with than previous Acquirer and lower fees. (Professional, scientific & technical services)

Low fees and excellent service. (Education or training)

Easy to bank with them as all under one company. (Personal & automotive services)

Does not have difficult processes, low interest, easy terms and conditions. (Rental, hiring or real estate)

Easy and I bank with them so I get a better rate for credit card transactions. (Personal & automotive services)

Transactions always problem free and they are a dependable business. (Professional, scientific & technical services)

Good service. I am able to talk to an actual person re any queries. (Accommodation and food services)

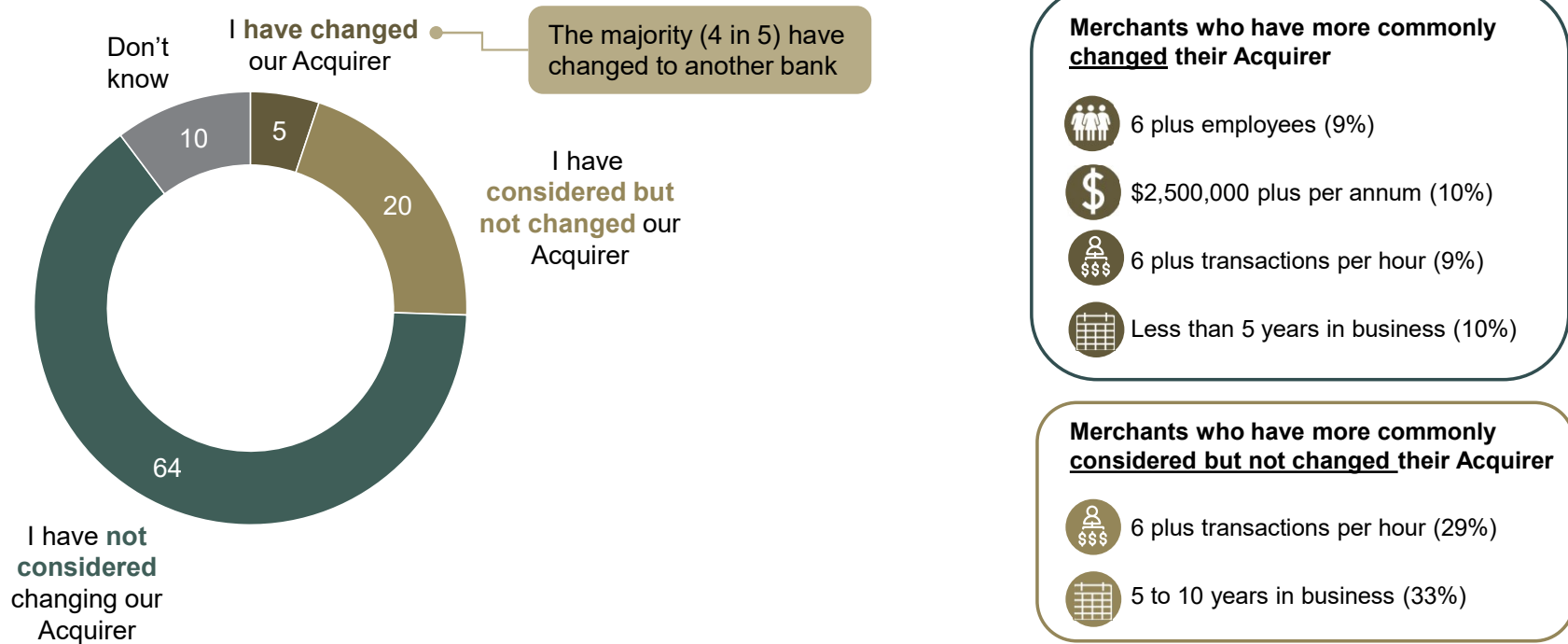
Faster settlement process. (Wholesale trade)

Excellent customer service, fair pricing. (Health care or social assistance)

Well known bank, low fees, convenient online portal, easy to use. (Administrative or support services)

In the past two years, 5% of merchants have changed their Acquirer and a further 20% have considered but not changed. Merchants who changed their Acquirer more commonly had larger number of employees, high annual turnover, high transactions per hour and have been in business for less than five years. Those considering but not changing also had higher transactions per hour but are longer established business of five to ten years.

Changed or considered changing Acquirer in past 2 years (% , among merchants who accept debit cards, credit cards or contactless)



Commonly mentioned reasons for changing Acquirer include cheaper fees, ease of use, better integration with other payment systems, benefits of one streamlined provider (i.e. convenience, cheaper fees), and poor customer service with their previous Acquirer.

Reasons changed Acquirer – selection of responses

To streamline providers. (Education or training)

Worked better with our online booking / payment system. (Arts or recreation services)

More convenient to have it with the same bank. (Retail trade)

Changed to [bank] for costs and also convenience as we already banked with them. (Personal & automotive services)

For cheaper transaction fee. (Retail trade)

Offered a better deal to bring it all in one. (Arts or recreation services)

I changed to a mobile Card Reader, the supplier of the Card Reader became my Acquirer. (Retail trade)

Ease of use. (Construction)

Was easy to have [bank] do everything. (Personal & automotive services)

Broken trust. (Construction)

Reduce cost. (Accommodation and food services)

Change of circumstances. (Accommodation and food services)

Found previous acquirer unhelpful, and [bank] ended up significantly cheaper. (Professional, scientific & technical services)

Fees involved. (Rental, hiring or real estate)

Our industry association negotiated industry wide good rates with the Acquirer we now use. (Accommodation and food services)

We changed to [bank] as previous bank changed how our bank manager was able to operate. (Accommodation and food services)

Due to move to new bank for all banking requirements. (Manufacturing)

Cheaper option provided. (Personal & automotive services)

Was with [bank] but was very fragmented and difficult to speak to an actual person. Windcave is seamless. (Accommodation and food services)

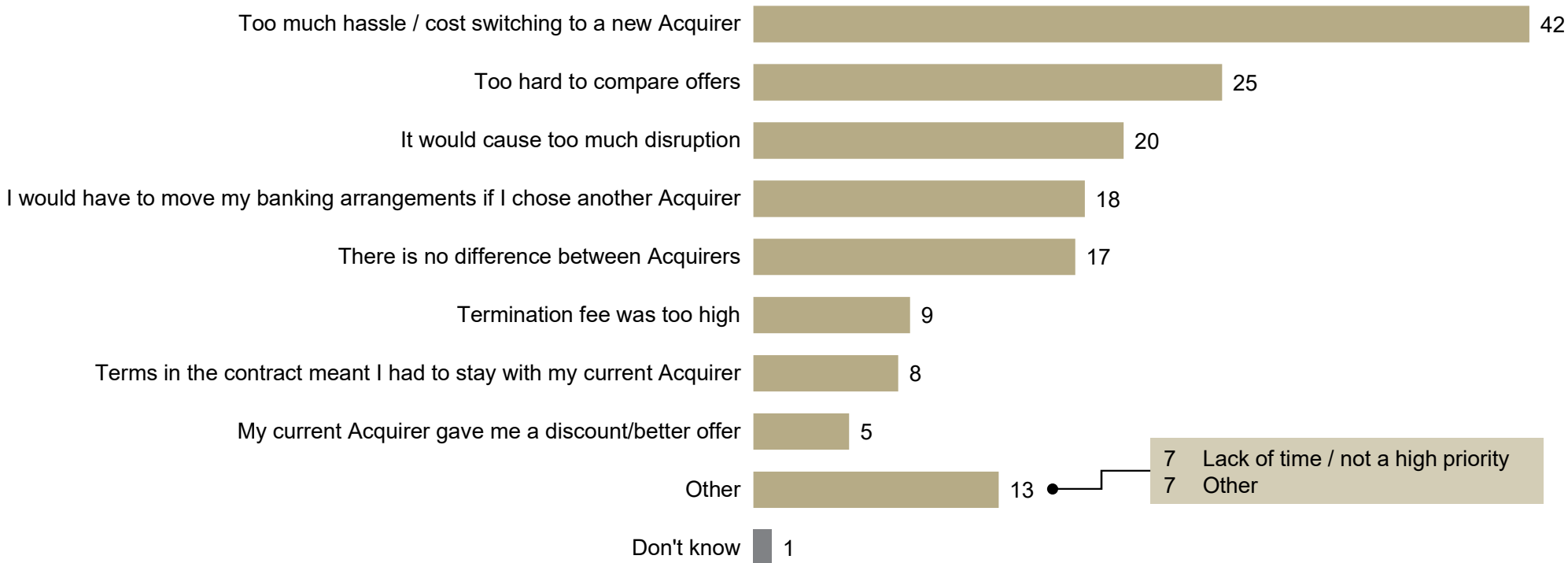
We changed from [bank] as Windcave offered better integration with our POS system and we were able to negotiate similar charges. (Accommodation and food services)

Cheaper and easier than the bank. (Professional, scientific & technical services)

Pricing. (Retail trade)

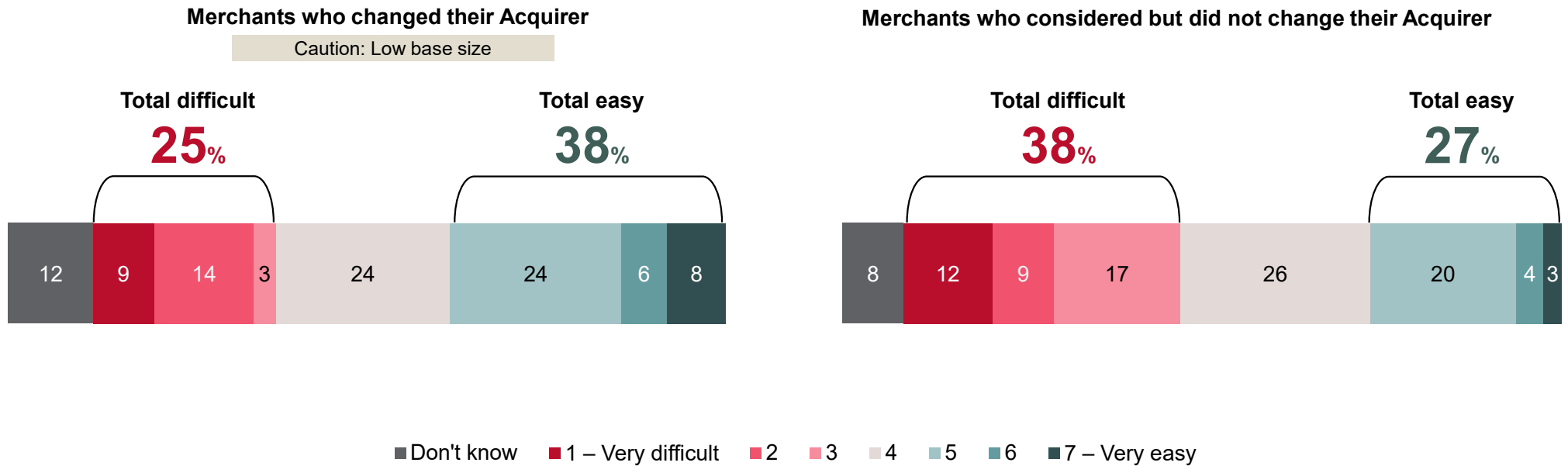
The hassle and cost of switching to a new Acquirer is the most common deterrent among merchants who have considered but decided not to change their Acquirer. One in four think it is too hard to compare offers and almost one in five think there is no difference between Acquirers. Other common reasons for not changing are the disruption it would cause and having to also move banking arrangements if choosing another Acquirer.

Reasons considered but decided not to change Acquirer (% , among merchants who considered but did not change their Acquirer)



Overall, views are mixed towards how easy it is to compare what is offered by different Acquirers. Those who considered but did not change their Acquirer are more likely to find it difficult (38%) than easy (27%), although many are neutral or unsure. Those who changed Acquirer are less likely to consider it difficult (25%), but even then only two in five consider it easy to compare different Acquirers.

Ease of comparing what is offered by different Acquirers (% , among merchants who have changed or considered changing their Acquirer)



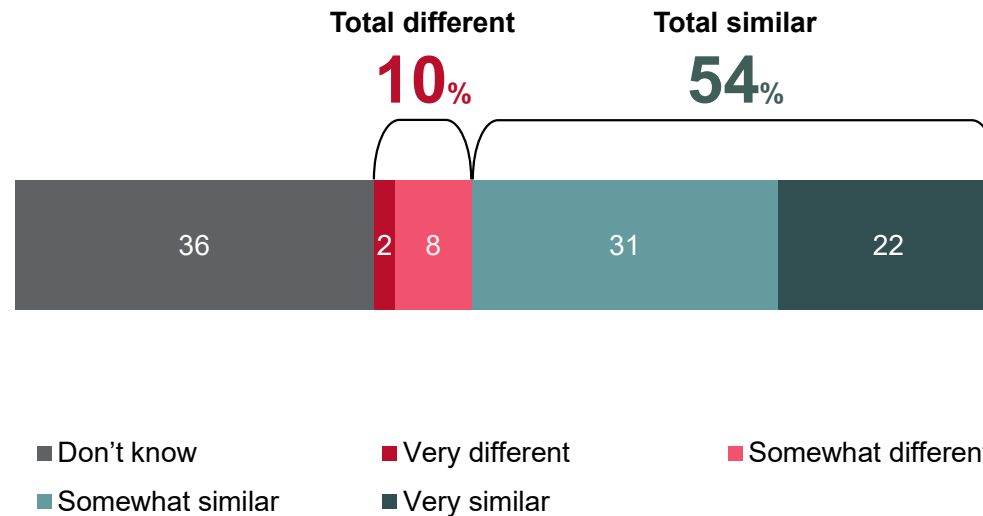
Only one in ten merchants think their Acquirer is different to others in terms of the customer service provided. Half think their Acquirer is similar to others, and just under two in five are unsure. Sole operators and businesses with lower turnover and transactions are more likely to be unsure. Businesses with higher numbers of employees, higher transactions and newer established (less than five years) more commonly think their Acquirer is different to others.

How your Acquirer compares to others in terms of ... (% , among merchants who accept debit cards, credit cards or contactless)

The customer service provided

Merchants who more commonly are unsure

- One / sole operator (46%)
- Over the phone (46%)
- < \$100,000 plus per annum (47%)
- <1 transactions per hour (47%)
- 10 plus years in business (40%)



Merchants who more commonly think it is similar

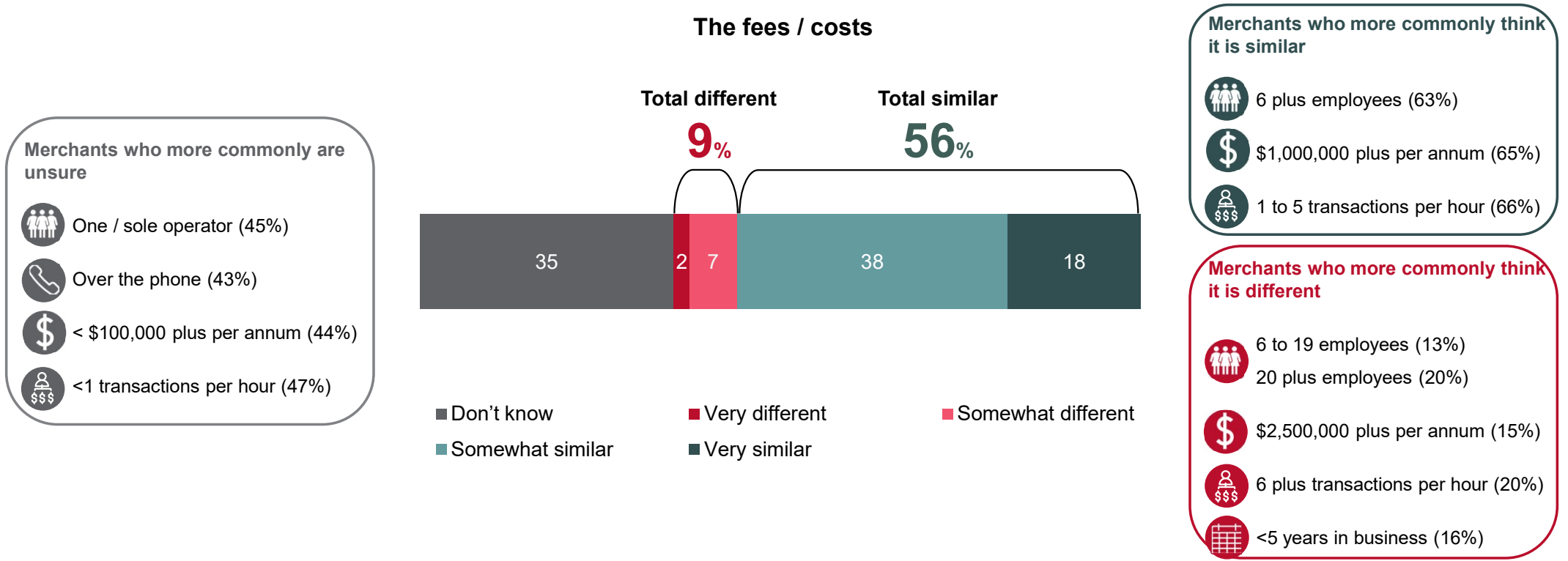
- 6 plus employees (61%)
- \$2,500,000 plus per annum (67%)
- 1 plus transactions per hour (60%)

Merchants who more commonly think it is different

- 6 plus employees (15%)
- 6 plus transactions per hour (19%)
- < 5 years in business (16%)

Similarly, only 9% think their Acquirer differs to others in terms of the fees / costs, while almost three in five think they are similar and 35% are unsure. Businesses with higher numbers of employees, higher numbers of transactions, higher annual turnover, and were established within the past five years more commonly think their Acquirer is different to others for fees and costs.

How your Acquirer compares to others in terms of ... (% among merchants who accept debit cards, credit cards or contactless)



Merchant fees

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Understanding of merchant fees varies between merchants. Some are fully invested and regularly review their plans. Others are more trusting that they are probably not being overcharged, but do not regularly check their bills (if ever) and have not explored their options. There is also little understanding of how banks determine fees and what they do / don't or should / shouldn't charge for.

Qualitative: Understanding of merchant fees

"I couldn't tell you what we're paying. I think it's about \$80 a month. That's for the rental of the EFTPOS machine."

"I hate paying bank fees I hate paying credit card fees. Well, you really just don't feel like you're getting any value for what? Yes, there's a transaction, yes, I understand that there is a fee involved, but they just seem ridiculously high, especially when banks then go and announce, you know, \$4 billion profit for the year or whatever. And it shouldn't really be like that. Especially when businesses are doing it quite hard at the moment and individuals. And yet banks seem to be untouchable in terms of profit margins."

"Why are we paying so much to facilitate our own sales that we've generated? I understand that the banks need to cover their costs and stuff, but actually is this covering their costs or is this going above and beyond? Are they actually just making a ridiculous amount of money?"

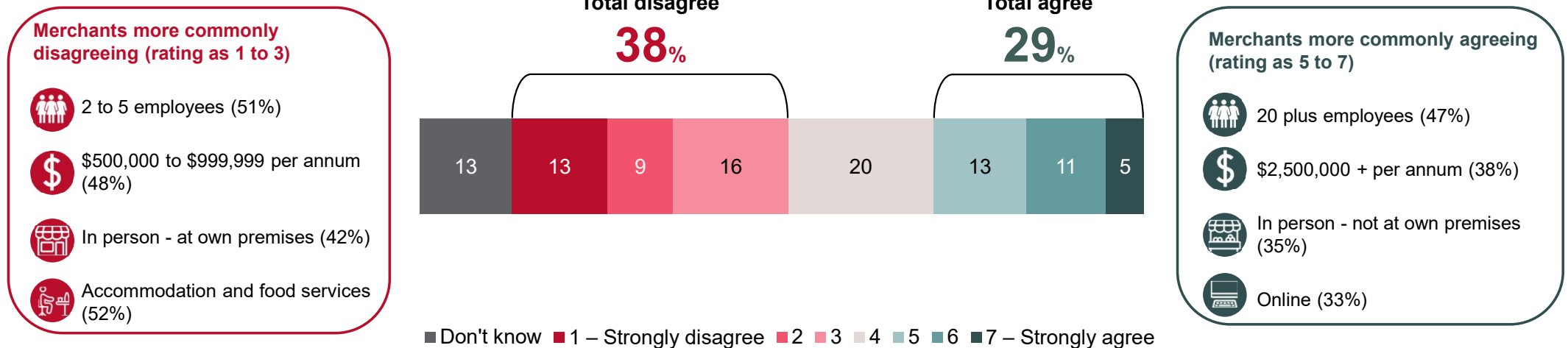
"There's like three different portions of the plan. And each portion has a percentage. There's a bank-to-bank transaction and then there's something else transaction and then there's something else and they all have a percentage added onto them. And then it's different for MasterCard or Visa, or it's different again, if it's contactless. So, it's quite complicated."

"If you can afford the 1.9% or whatever it is for contactless. I almost feel like they're ripping me off for charging more for the fact that someone inserts their card. At their end, there's literally no difference. There is no difference. It should all be the same fee."

Attitudes are mixed towards whether the fees charged by their Acquirer are good value for money but disagreement (at 38%) outweighs agreement (at 29%). Merchants with a larger number of employees and high turnover more commonly perceive the fees to offer value for money. Merchants with two to five employees and more moderate turnover are more likely to perceive the fees to be poor value.

Attitudes towards information from Acquirer (% , among merchants who accept debit cards, Mastercard, Visa or contactless)

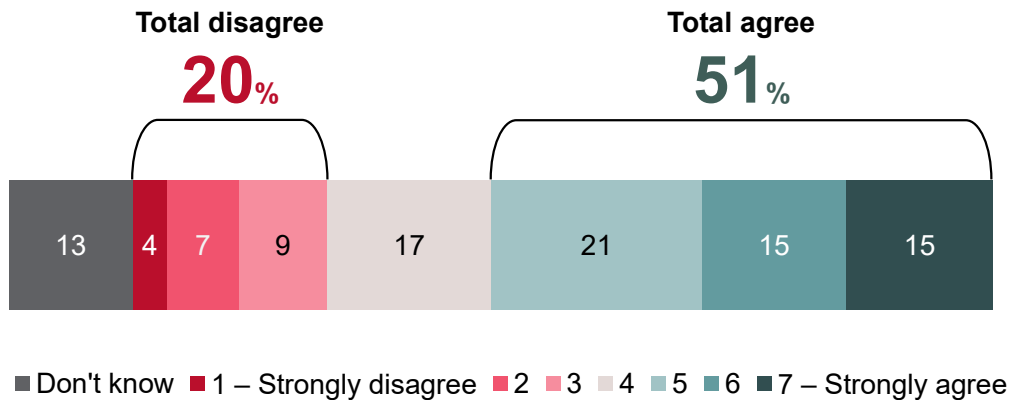
The fees I pay are good value for money



One in two merchants at least somewhat agree that they review their fees thoroughly and the breakdown in costs for different transactions. One in five disagree, with the remainder either neutral or unsure. Three in five think it is easy to understand what they are charged for. Only 15% disagree, being more common among businesses with a higher number of transactions per hour.

Attitudes towards information from Acquirer (% , among merchants who accept debit cards, Mastercard, Visa or contactless)

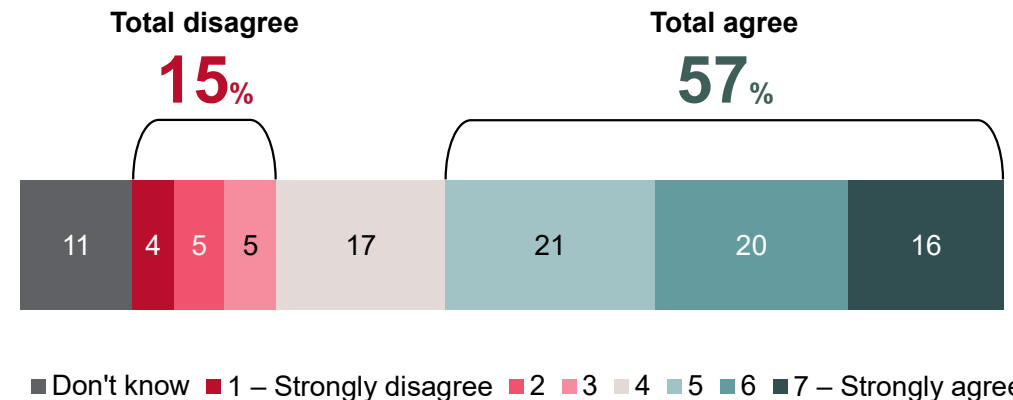
I review the fees thoroughly and the breakdown in costs for different types of transactions



Merchants more commonly disagreeing

- \$100,000 to \$499,999 per annum (32%)
- 5 to 10 years in business (30%)

It is easy to understand what I am charged for (e.g. what each fee is for or why fees vary)



Merchants more commonly disagreeing

- 2 to 5 employees (22%)
- 6+ transactions per hour (20%)
- Accommodation & food services (23%)

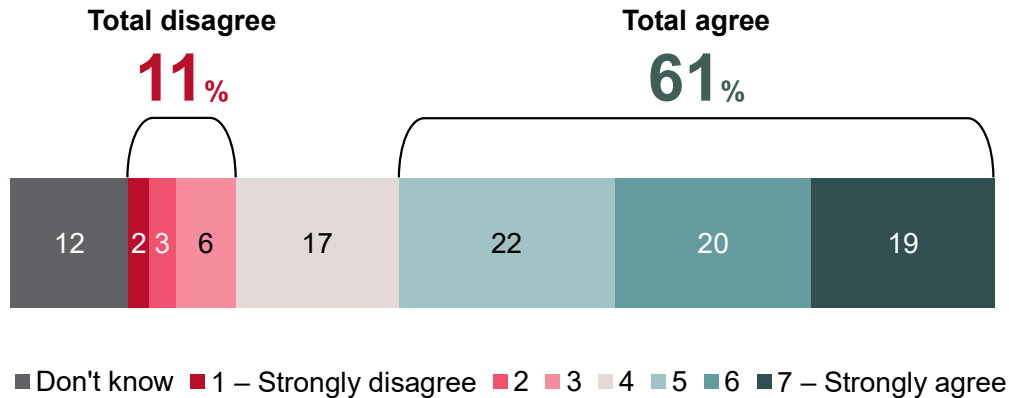
Merchants more commonly agreeing

- 1 to 5 transactions per hour (64%)

Around three in five merchants agree that it is easy to understand all the information on their merchant statements and that it provides all the information they need. Only one in ten disagree, with the remainder either unsure or neutral.

Attitudes towards information from Acquirer (% , among merchants who accept debit cards, Mastercard, Visa or contactless)

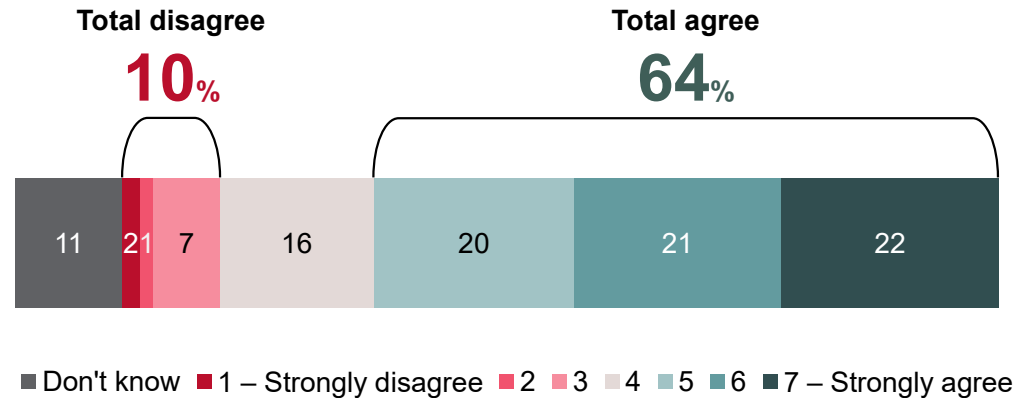
It is easy to understand all the information on my merchant statement



Merchants more commonly disagreeing
 + Health care or social assistance (23%)

Merchants more commonly agreeing
 \$\$\$ 1 to 5 transactions per hour (67%)

My statement gives me all the information I need / want

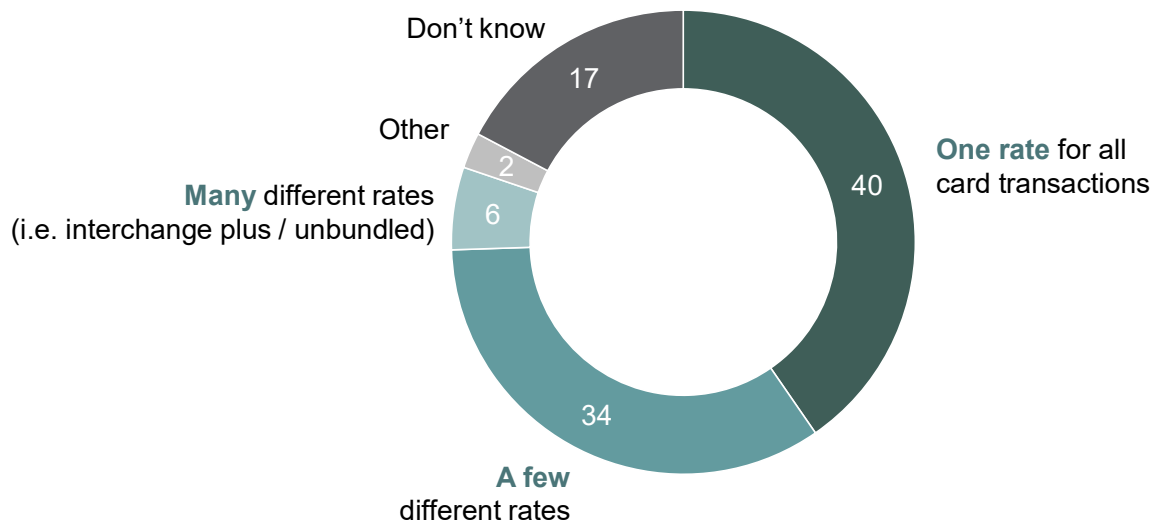


Merchants more commonly disagreeing
 👤 2 to 5 employees (14%)
 🍽️ Accommodation & food services (17%)
 + Health care or social assistance (22%)

Merchants more commonly agreeing
 \$\$\$ 1 to 5 transactions per hour (71%)
 🛒 Retail trade (72%)

Most merchants are aware of the types of merchant fee rates they pay for accepting Mastercard and Visa card payments, although just under one in five are unsure. Two in five merchants claim to be paying one rate and two in five claim to be paying a range of rates, typically being a few different rates rather than many (i.e. interchange plus / unbundled). Those with a higher number of transactions per hour more commonly claim to have several rates.

Type of merchant fee rates pay (% , among merchants who accept debit cards, Mastercard, Visa or contactless)



Merchants more commonly with one rate
No significant differences between businesses

Merchants more commonly with a few different rates

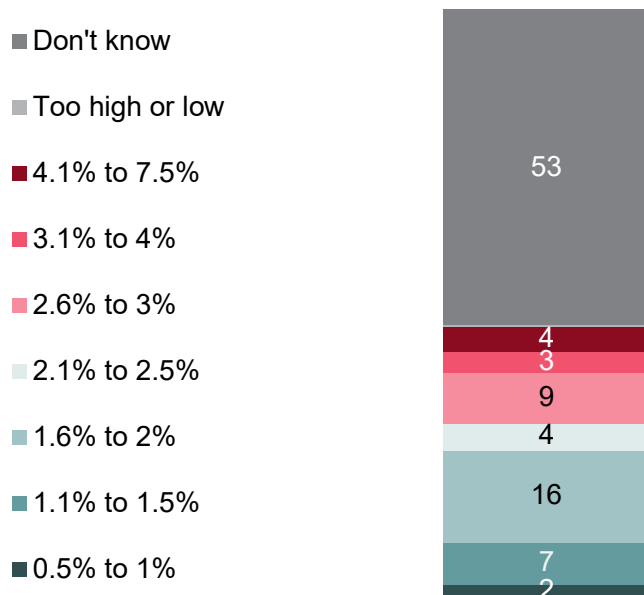
- 6 to 19 employees (43%)
- 6 plus transactions per hour (44%)
- < 5 years in business (48%)

Merchants more commonly with many different rates

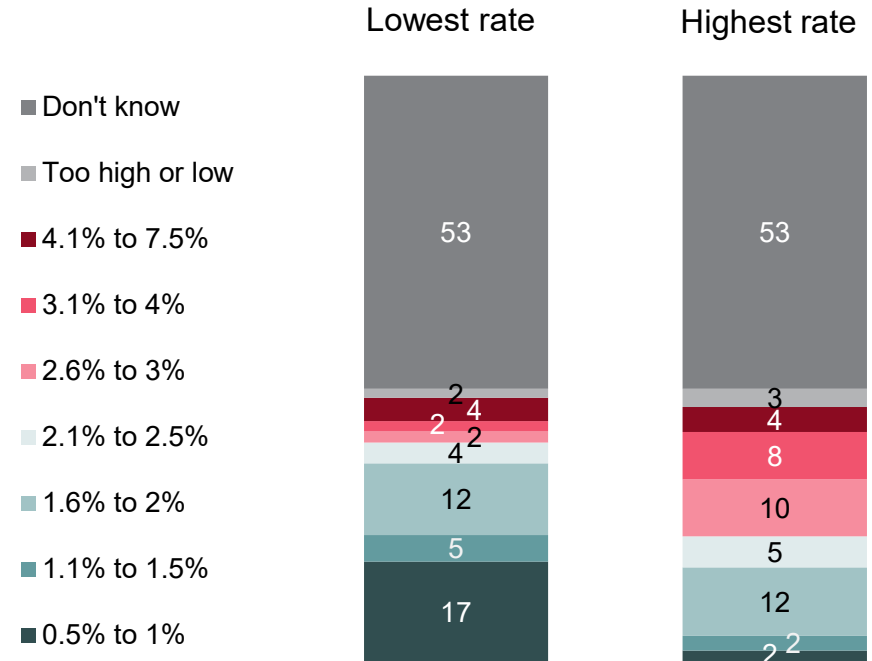
- 6 plus transactions per hour (13%)

Around half merchants charged either one rate or a few different rates for their Mastercard and Visa card payments are unsure of the specific rates they are charged. The claimed rate most commonly falls between 1.1% and 2% if being charged one rate. If being charged a few different rates, the lowest rate most commonly falls between 0.5% and 2%, and the highest rate between 1.5% and 4%.

Rate charged
(%, among merchants with one rate for all transactions)



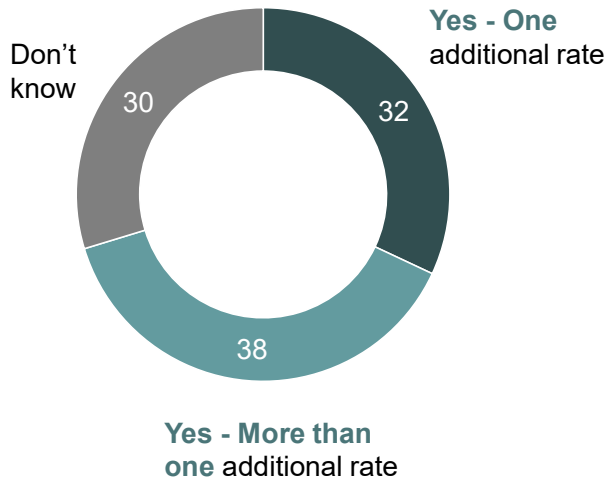
Lowest and highest rate charged
(%, among merchants with a few different rates)



Among merchants with many different rates for their Mastercard and Visa card payments, three in ten are unsure if they are charged an acquiring fee. One in three claim to be charged one additional rate, and slightly more (38%) to be charged several additional rates.

(Note: Base size is too low to make assumptions about rates among those with more than one additional rate.)

Aware if charged an acquiring fee (% among merchants with many different rates)



Rate of additional fee (unweighted counts among those charged one additional rate)

One rate:	n =
0.5% to 1%	5
2.6% to 3%	1
4.1% to 5%	1
Don't know	6

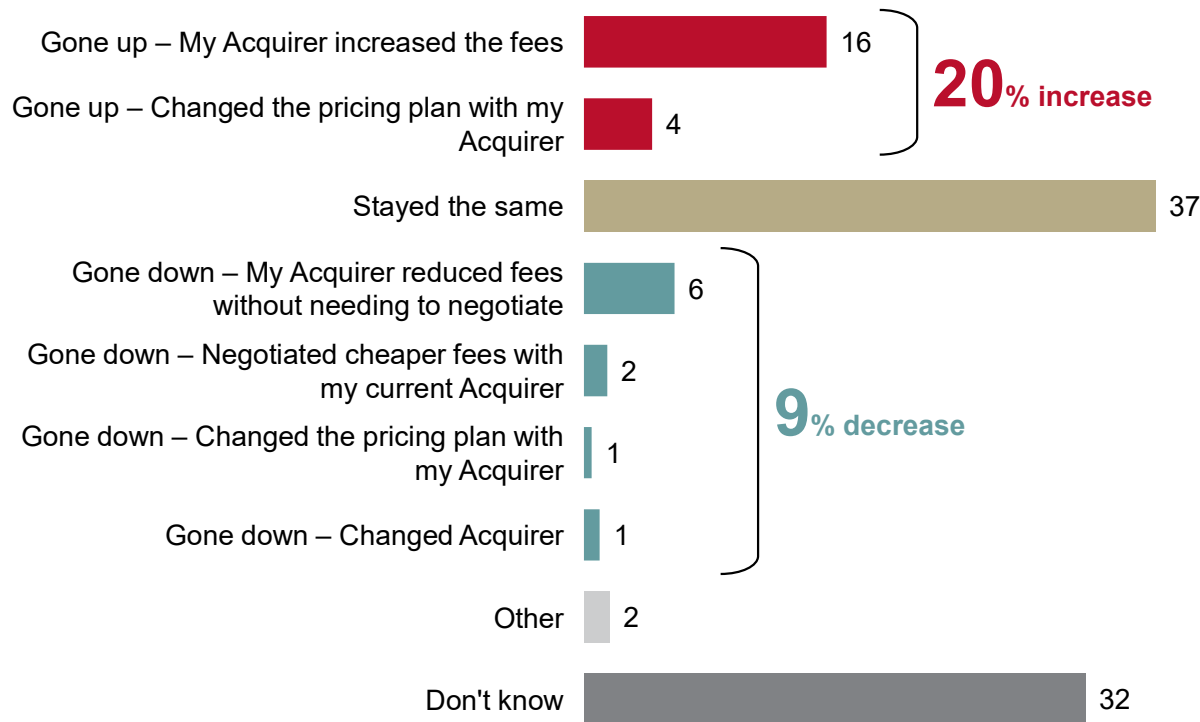
Lowest / highest rate of additional fees (unweighted counts among those charged several additional rates)

Lowest rate:	n =
0.5% to 1%	6
1.1% to 1.5%	2
1.6% to 2%	2
2.1% to 2.5%	1
Don't know	4

Highest rate:	n =
0.5% to 1%	2
1.1% to 1.5%	2
1.6% to 2%	1
2.1% to 2.5%	1
2.6% to 3%	3
3.1% to 4%	1
4.1% to 7.5%	1
Don't know	4

When asked if their Mastercard and Visa merchant fee rate(s) have changed over the past 12 months, one in three are uncertain. Almost two in five claim that their fees have stayed the same. Twice as many merchants state that their fees have increased (at 20%) than reduced (at 9%). Businesses with low annual turnover more commonly claim to have reduced fees while those with high turnover more commonly claim to have increased fees.

Change in Mastercard and Visa merchant fee rate/s over past 12 months
(%, among merchants who accept debit cards, Mastercard, Visa or contactless)



Merchants more commonly with increased fees

- In person - at own premises (24%)
- \$2,500,000 plus per annum (31%)
- 1 to 5 transactions per hour (27%)
- 6 plus transactions per hour (31%)
- Less than 5 years in business (27%)
- 5 to 10 years in business (30%)

Merchants more commonly with no change

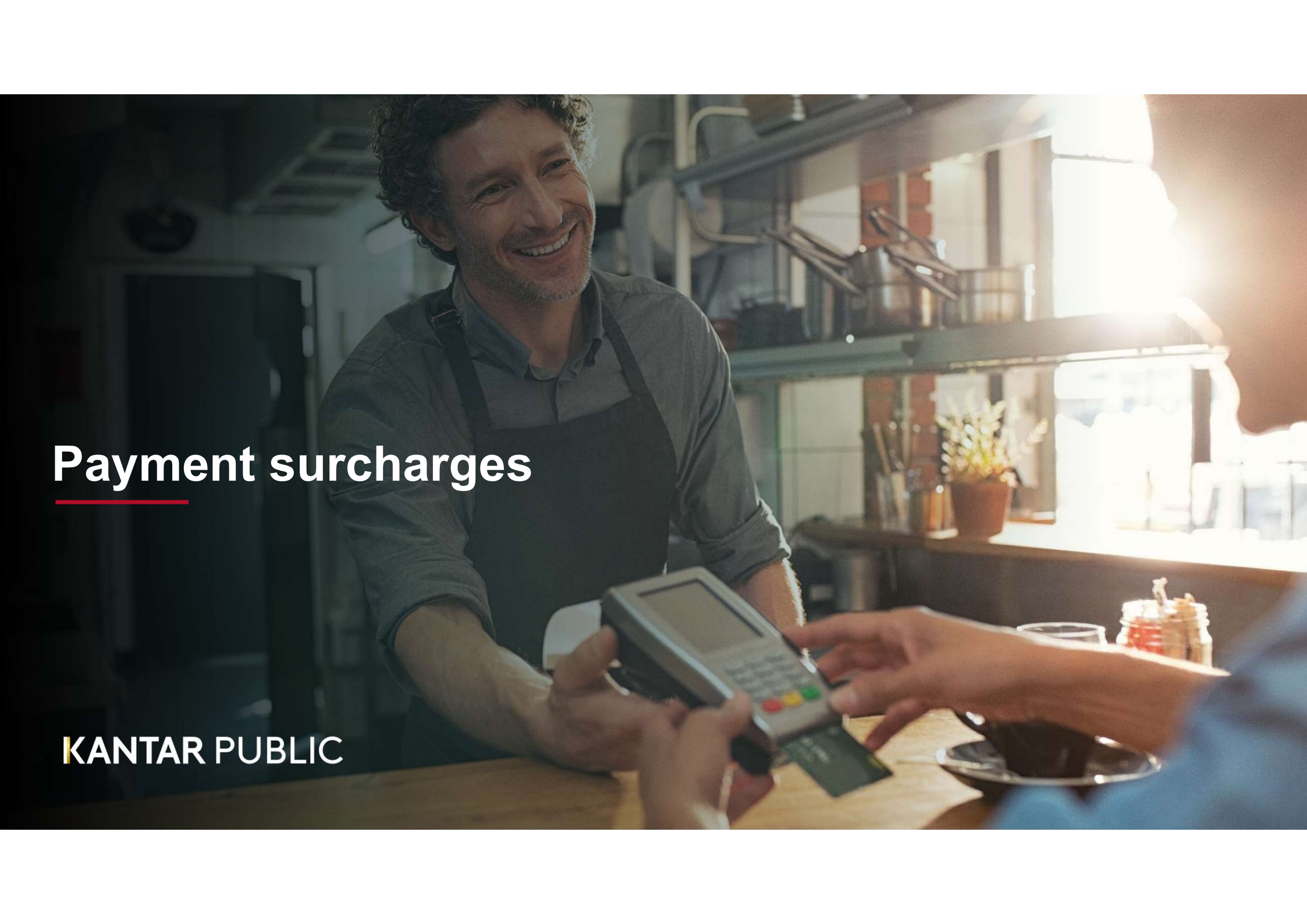
- Online (41%)

Merchants more commonly with reduced fees

- < \$100,000 per annum (14%)
- Retail trade (14%)

Payment surcharges

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Merchants are often hesitant to add a surcharge. They do not want to be seen as increasing their costs more than necessary, especially with rising costs due to inflation. Some merchants also do not want to be seen as the type of business that adds a surcharge. This means that merchants often tend to wear the cost themselves rather than pass them on to their customers.

Qualitative: Surcharging

"I think [surcharging is] just a barrier to purchase. You know that final phase of your purchase should be quite a joyous one. Instead of getting up there and going 'oh yuck, surcharge'. I think it's a negative point in the process."

"I've had to put up my prices recently because of inflation and rent increases and my customers are very understanding. I just don't think I could keep adding to the price, at least not in the near future."

"It's really interesting that this is a question because I'm in a quandary. I don't know whether I should or not. Everyone seems to be doing it... So, do I just add another little bit into the price of the item, to cover the surcharge? Because it's a big pushback for me and me as a customer, as a client, I don't like paying it... I would prefer not to implement it."

"We don't [surcharge]. We just absorb the cost. That's the cost of doing business. We'd like it to be less than what we're paying. But that is what it is. It's like having a surcharge for a public holiday. You don't charge customers. That's a cost of doing business."

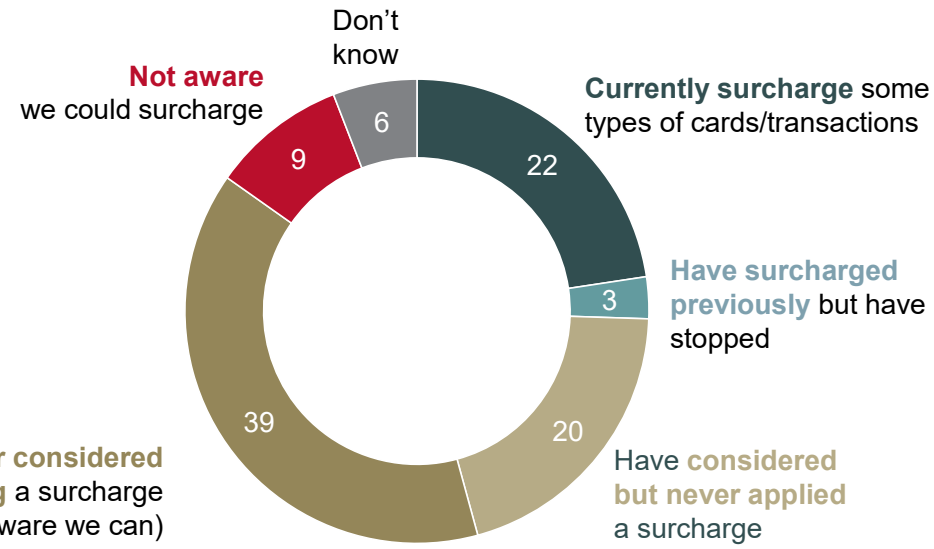
Interestingly, many businesses are not recouping the merchants fees elsewhere (outside of surcharging). It is often seen as unfair to pass costs on to the consumer, especially if it means increasing the cost for everyone to cover just those who use credit cards or contactless payments. It is also seen as untimely given other price increases to consumers.

Just over one in five merchants (22%) who accept credit cards or contactless currently surcharge some types of cards or transactions. This is more common among businesses with two or more employees and those in business for two to five years. A further 3% have surcharged previously but have stopped. Almost one in ten are unaware they could surcharge. This is more common among sole operators and businesses of low annual turnover.

Add a payment surcharge to any transactions
 (% , among merchants who accept credit cards or contactless)

Merchants more commonly unaware could surcharge

- One / sole operator (18%)
- < \$100,000 per annum (18%)
- Professional, scientific & technical services (21%)
- Retail trade (15%)



Merchants who more commonly currently surcharge

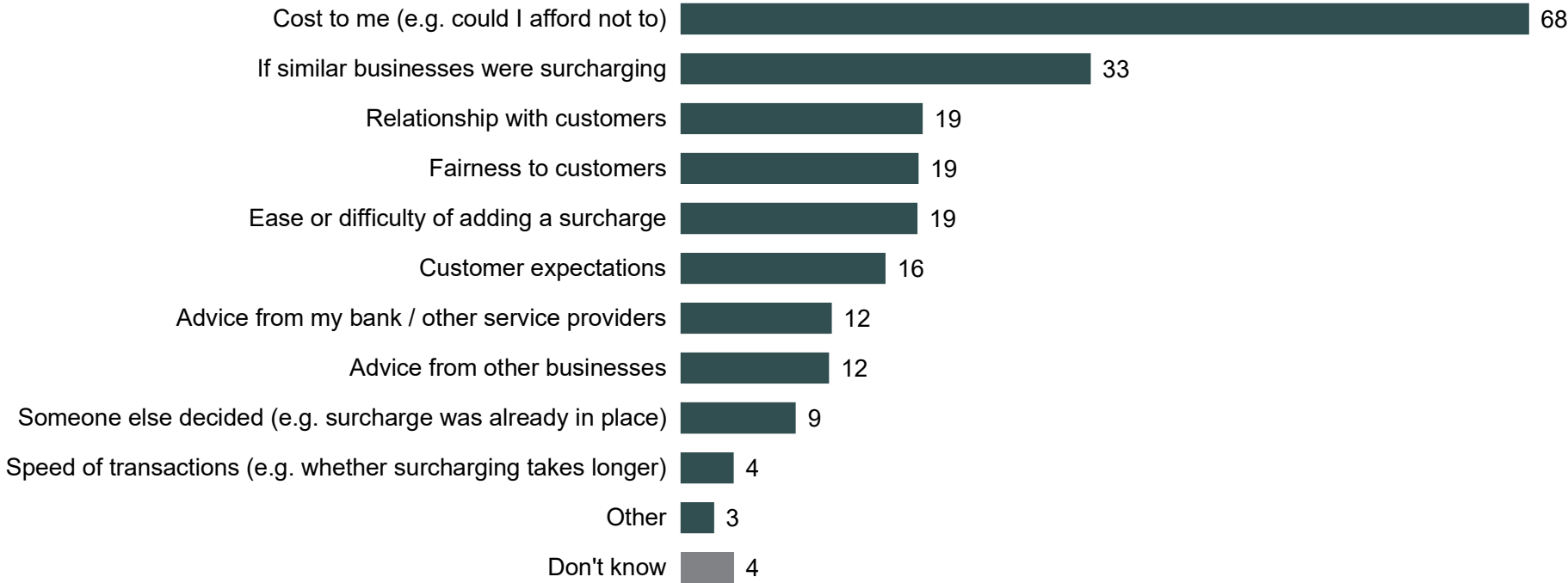
- 2 to 19 employees (28%)
- 20 plus employees (38%)
- 5 to 10 years (30%)
- Construction (42%)
- Personal & automotive services (43%)

Merchants who more commonly have surcharged previously but stopped

- \$500,000 to \$999,999 per annum (7%)
- Professional, scientific & technical services (11%)

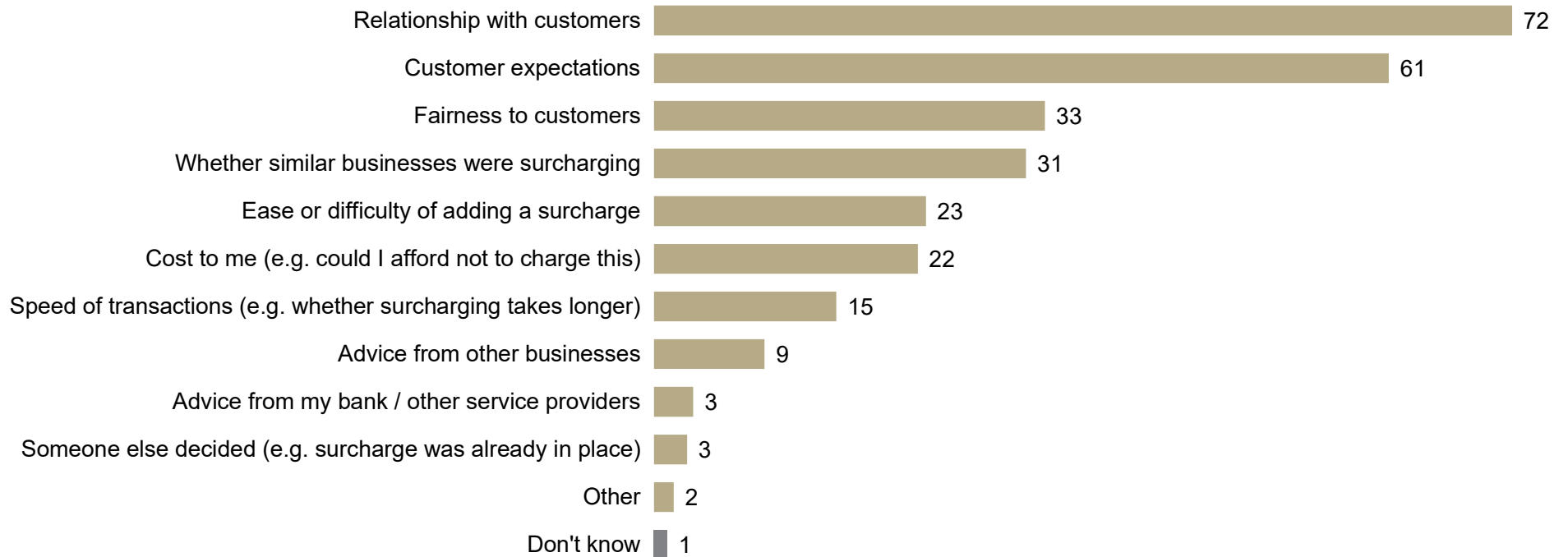
When deciding whether to add a surcharge or not, the main consideration among merchants who currently surcharge was the cost to themselves and whether they could afford not to. Some considered whether similar businesses were surcharging. Only one in five took their customers into consideration (e.g. expectations, relationship, fairness).

**Considerations when deciding whether or not to add a surcharge to Mastercard / Visa card payments
(% among merchants who currently surcharge)**



In contrast, customers were the main consideration when deciding whether to add a surcharge or not among merchants who considered but decided not to surcharge. This was most commonly their relationship with their customers and customer expectations. Some considered the fairness to customers and whether similar businesses were surcharging. Relatively few considered the cost to themselves.

**Considerations when deciding whether or not to add a surcharge to Mastercard / Visa card payments
(% among merchants who have considered but never applied a surcharge)**



Among merchants who have applied a surcharge previously but since stopped, their main reasons for stopping were customer considerations. These include their relationship with their customers, the fairness to customers, and customer expectations. (Caution: Low sample size)

**Reasons decided to stop applying a surcharge to Mastercard / Visa card payments
(unweight counts, among merchants used to apply a surcharge but have stopped)**

	n =
Relationship with customers	13
Fairness to customers	9
Customer expectations	8
Advice from other businesses	3
Ease or difficulty of adding a surcharge	3
Someone else decided to stop	2
Speed of transactions (e.g. whether surcharging takes longer)	2
Advice from my bank / other service providers	1
Whether similar businesses were surcharging	1
Cost to me	0
Other	1
Don't know	1

When asked how they felt about not being aware you could surcharge certain types of payments, only a few merchants who were unaware felt annoyed or upset. Most were unconcerned about not knowing, typically because they consider themselves unlikely to add a surcharge.

Feelings towards not being aware you could surcharge certain types of payments - selection of responses among merchants not aware they could surcharge



A little upset. (Professional, scientific & technical services)

Annoyed. (Transport, postal or warehousing)

Bad. (Accommodation and food services)

Will find out more. (Personal & automotive services)

Where is the information provided? (Personal & automotive services)

My own fault for not researching. (Retail trade)

I'm fine with not knowing. (Retail trade)

Low volume so not a big issue. (Wholesale trade)

Not interested as I would never do it. (Retail trade)

People pay enough already. (Health care or social assistance)

It's tough enough, why charge more. (Retail trade)

We thought it is illegal. (Retail trade)

I don't think we should charge surcharge. (Manufacturing)

Might lose some customers. (Retail trade)

Wouldn't make any difference. (Arts or recreation services)

I don't think we would anyway. (Health care or social assistance)

I really don't mind. The card companies tell you not to charge surcharge. (Retail trade)

Probably make no difference. (Health care or social assistance)

Not really worried about the lost opportunity.. more keen to grow the business. (Rental, hiring or real estate)

Okay as it doesn't really apply to us. (Retail trade)

Doesn't worry me. (Retail trade)

Not interested. (Professional, scientific & technical services)

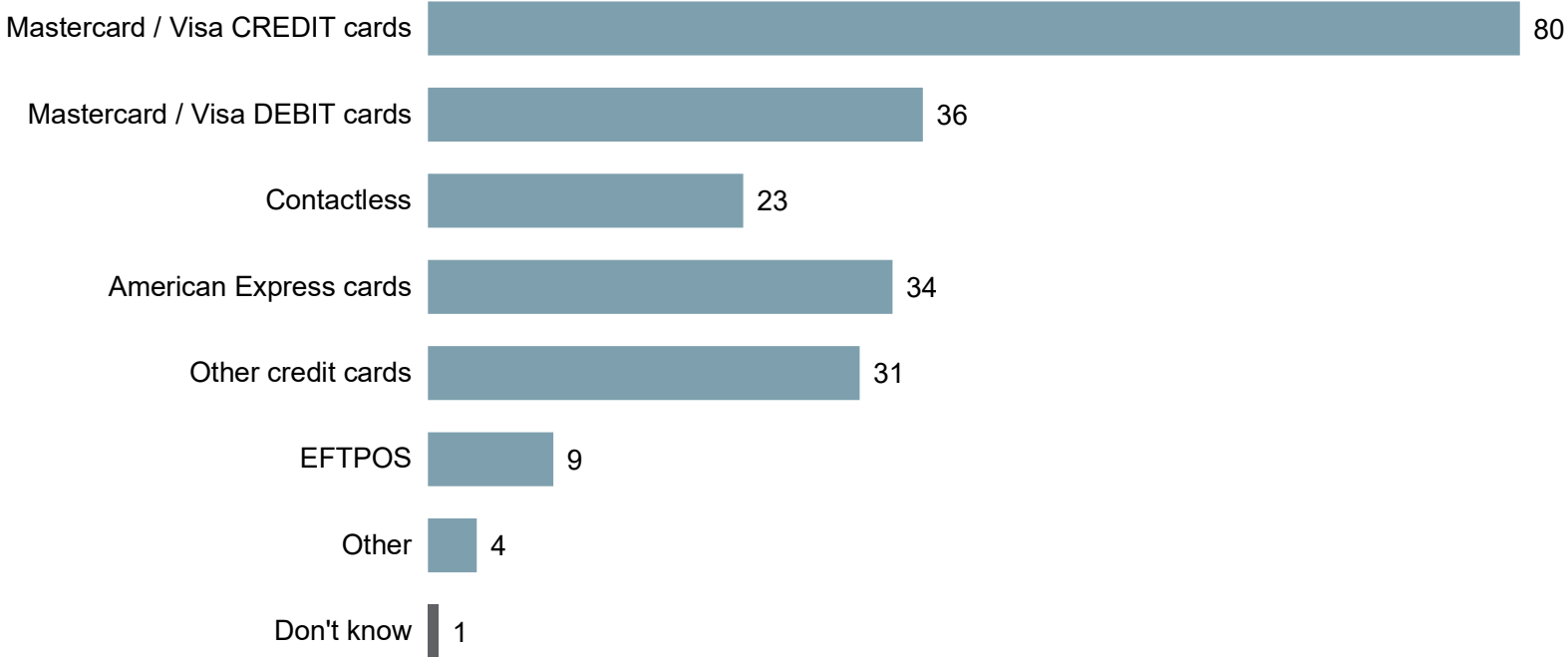
Fine. I pay a flat, low rate. (Retail trade)

Not needed. (Professional, scientific & technical services)



Among merchants who surcharge, four in five add a surcharge to Mastercard or Visa credit cards. Around two in five add a surcharge to debit cards and 23% to contactless payments. One in ten claim to also apply a surcharge to EFTPOS payments.

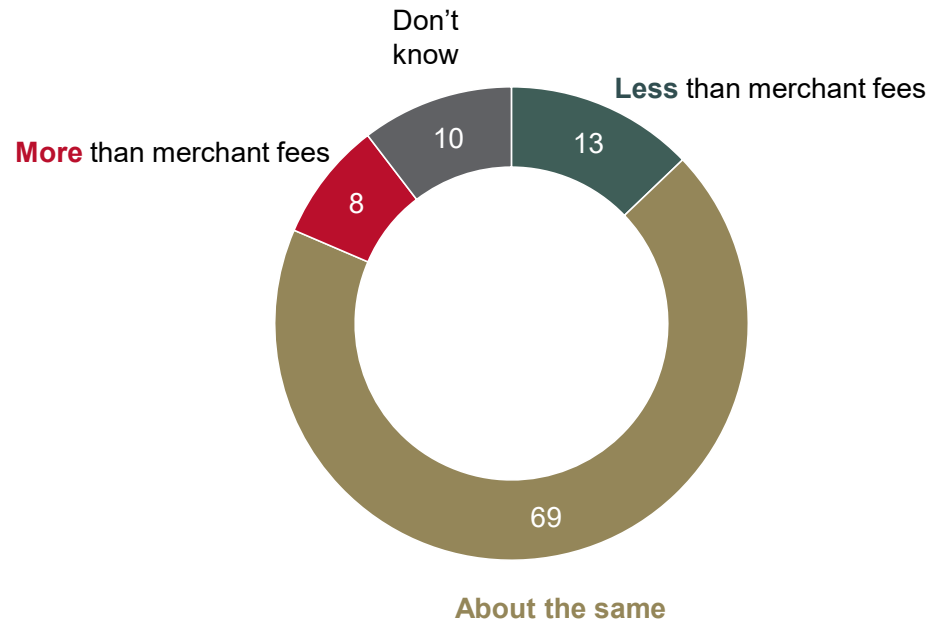
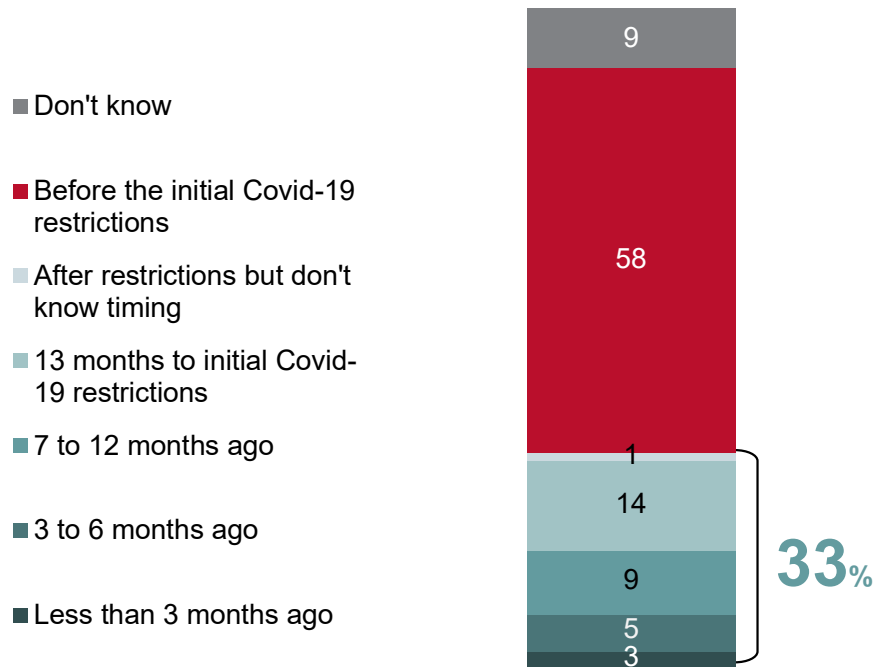
Types of cards / transactions surcharge
(%, among merchants who surcharge)



Focusing on merchants who surcharge Mastercard or Visa card payments, one third first began applying a surcharge after the initial Covid-19 restrictions in 2020, and almost one in five within the past year. Two in three claim that their surcharge is about the same as their merchant fees, 13% claim to charge less than their merchant fees and 8% to charge more.

When first began applying a surcharge to Mastercard / Visa cards (% , among those who surcharge Mastercard, Visa or contactless)

Surcharge rate compared to merchant fees for Mastercard / Visa (% , among those who surcharge Mastercard, Visa or contactless)



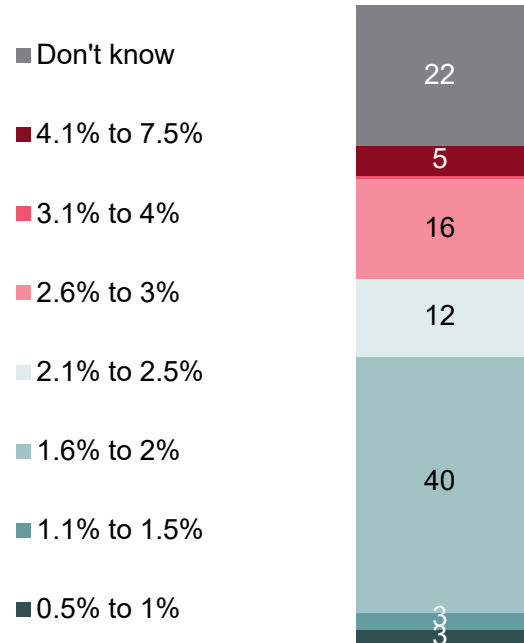
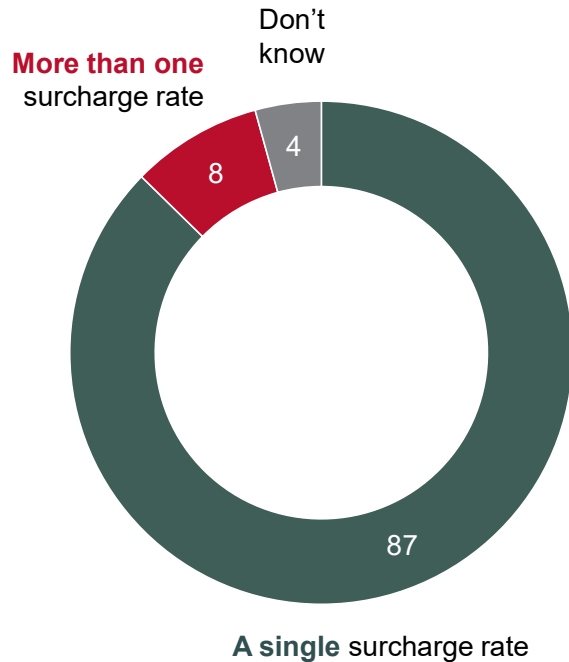
Almost all apply a single surcharge rate and only 8% apply several surcharge rates. The most common surcharge rate among merchants who apply a single rate is between 1.6% to 2%. This is followed by rates between 2.1% to 3%, although some claim to be applying surcharge rates in excess of 4%.

(Note: Base size is too low to make assumptions about rates among those with more than one surcharge rate.)

One or several rates (% , among those who surcharge Mastercard, Visa or contactless)

Surcharge rate (% , among merchants who have one surcharge rate)

Lowest / highest surcharge rate (unweighted count, among merchants with several rates)

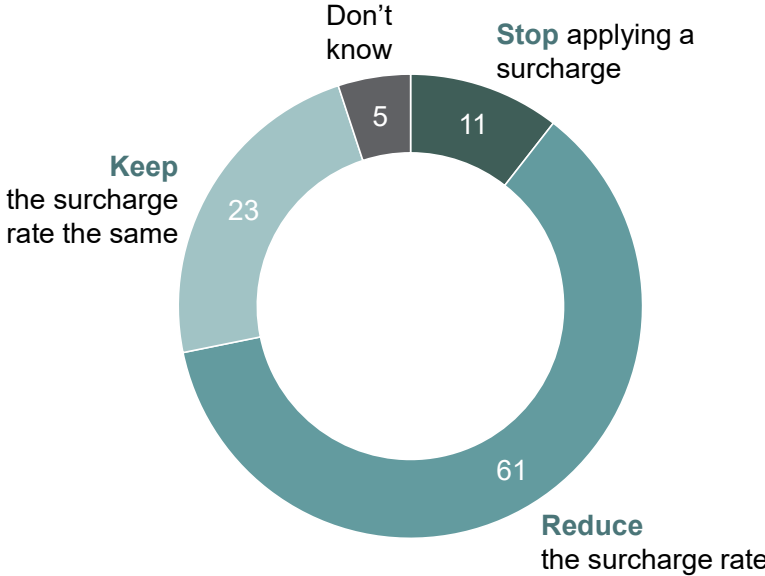


Lowest surcharge rate:	n =
0.5% to 1%	2
1.6% to 2%	3
2.1% to 2.5%	1
Don't know	5

Highest surcharge rate:	n =
2.1% to 2.5%	1
2.6% to 3%	2
3.1% to 4%	1
4.1% to 10%	2
Don't know	5

Merchants who apply a surcharge rate were asked to think hypothetically about what they would do if their merchant fees decreased by one percentage point (e.g. decreased from 2% to 1%). Three in five think they would reduce their surcharge rate and one in ten would stop applying a surcharge altogether. However, around one in five think they would keep their surcharge rate the same despite the reduction in merchant fees.

Likely impact on surcharge rate if merchant fees decreased by 1% (% , among merchants who apply a surcharge)



The majority of merchants do not try to steer customers to one type of payment method over another. Fifteen percent admit that they do try to steer customers towards specific payment methods. Most commonly, they encourage customers by asking them verbally to use another method. Small numbers use other methods such as signage, card brand logos, or discounts and promotions on specific payment methods.

Ways try to steer customers to one type of payment method over another (% , among total merchants)

